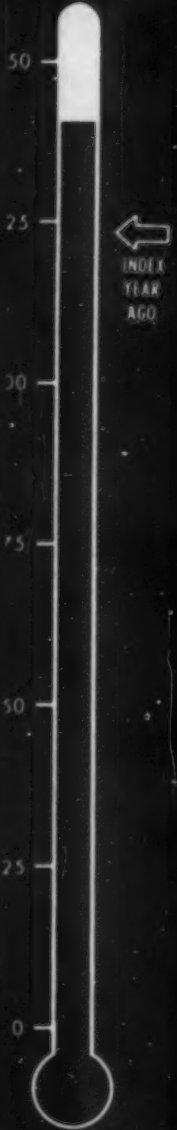


BUSINESS WEEK

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PAGE 22



Dietz of CIT: Trusting the man in the street with \$4.5-billion (page 102)

A MCGRAW HILL PUBLICATION

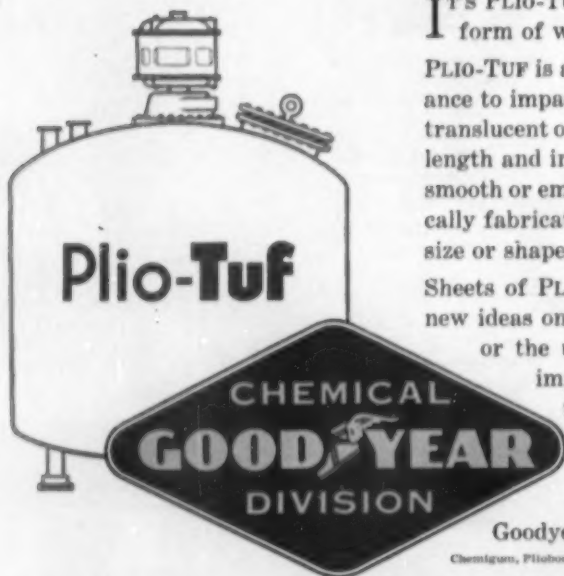
JUNE 4, 1955

E B POTER
UNIVERSITY MICROFILMS
313 N 1ST ST
ANN ARBOR MICH
68 28



Photo courtesy Plymouth Rubber Company, Inc., Canton, Mass., manufacturers of Plyma-Tuf plastic sheets.

This could give you a new view on plastics!



IT'S PLIO-TUF—the plastic that's more than a plastic—in its new form of wide, calendered sheets.

PLIO-TUF is a high styrene copolymer resin of outstanding resistance to impact and unusual resistance to heat. It is used to make translucent or colored sheets in widths up to 54", in practically any length and in thicknesses of .010 to .040". When laminated, these smooth or embossed sheets can be readily post-formed or mechanically fabricated into attractive, durable products of virtually any size or shape.

Sheets of PLIO-TUF have given many manufacturers completely new ideas on improved serviceability of present plastic products or the use of plastics where they were previously deemed impractical. What can you do with their exceptional toughness plus color, warmth, light weight, stiffness, hardness and resistance to heat, cold, oils, chemicals, abrasion and age? For details on the resins or names of sheet suppliers, write:

Goodyear, Chemical Division, Dept. F-9415, Akron 16, Ohio

Chemigum, Pliobond, Pliolite, Pliolite, Plio-Tuf, Pliovic - T. M.'s The Goodyear Tire & Rubber Company, Akron, O.

The Finest Chemicals for Industry—CHEMIGUM • PLIOBOND • PLIOFLEX • PLIOLITE • PLIO-TUF • PLIOVIC • WING-CHEMICALS

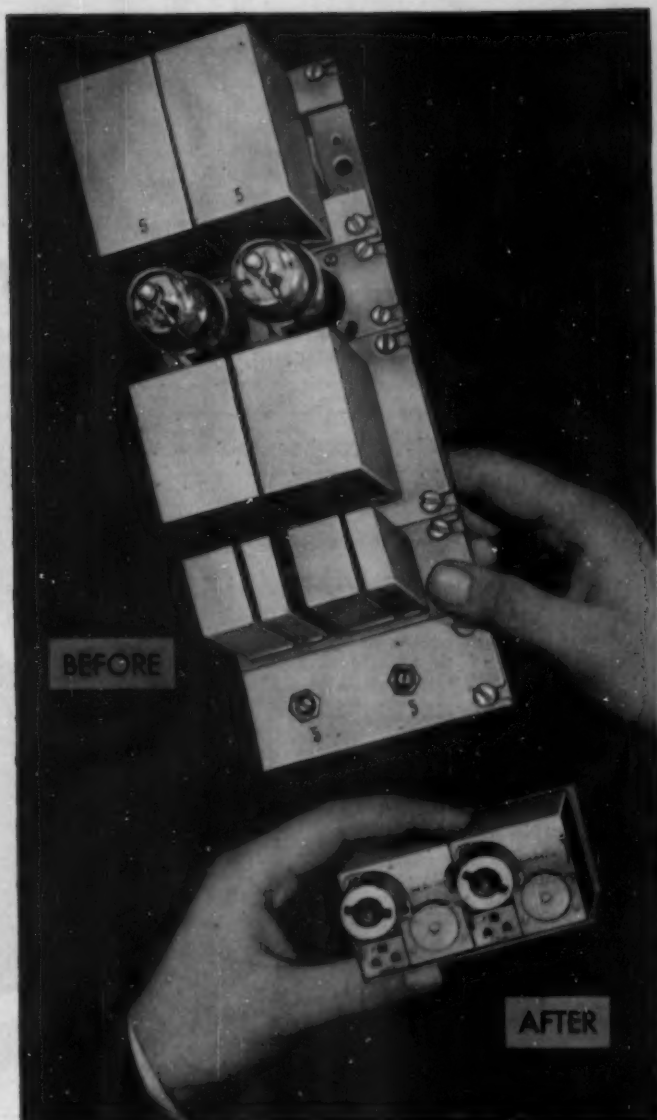
"Shrink it!" they said

Note the difference in size between the two voice amplifiers you see here. Multiply that difference by hundreds of Bell telephone central offices... where they are used in large quantities. That will give you a good idea of the amount of space saved through a Bell System program called "miniaturization" by which telephone equipment — in many, many particulars — is progressively being made smaller.

It is the job of Western Electric — as the manufacturing and supply unit of the Bell System — to take the miniaturized designs... designs prepared by our associates, the Bell Telephone Laboratories... and find the way to manufacture the smaller new equipment, economically.

Space so "manufactured" means that existing telephone buildings can give more service for their size... new buildings need not be so large. When you consider that current Bell System programs require expenditure of many millions of dollars weekly on telephone plant, you will understand how savings through miniaturization can add up impressively over the years.

Shrinking the size of components is a tough job, but Western Electric manufacturing engineers, working closely with their coordinators at Bell Laboratories who design the equipment, and with Bell telephone people who will operate it, together are winning the "battle of the inches."



600 of these new voice frequency amplifiers can be mounted in a bay just 2 feet wide and 11½ feet high. Before, the larger amplifier required a small room full of equipment to do the same job.

It is a natural objective of Western Electric to help the Bell telephone companies hold down their cost of doing business. Why? Simply because we share the Bell System's common goal — good, dependable telephone service at low cost.

Close cooperation by all units of the Bell System on such ideas as miniaturization is one big reason why — in the face of rising costs since 1946 — the price of Bell telephone service has gone up so much less than most other things the public buys.

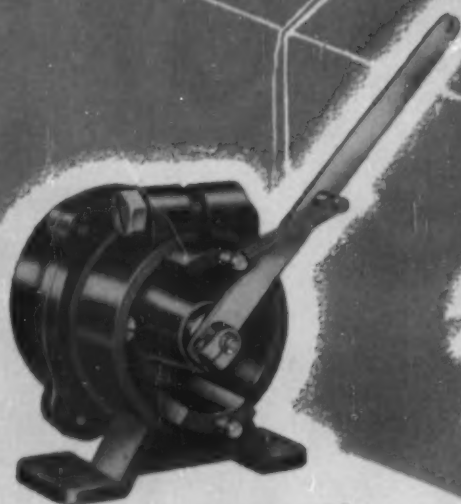
Western Electric



MANUFACTURING AND SUPPLY

UNIT OF THE BELL SYSTEM

Here's the Complete "Package" for Counting Electrically...



*Added Evidence
that —*

Everyone Can Count on VEEDER-ROOT

This Veeder-Root Reset Magnetic Counter (AC or DC) is actuated through electromagnets. And it may be connected in series with any device having a contact arrangement . . . like the specially designed Veeder-Root Electrical Contactor at the left, which insures positive operation of the counter, either in oscillation or connected directly to a revolving shaft . . . with the counter placed at

any distance from the machine or process on which the count is required.

This is another one of the hundreds of Veeder-Root Standard and Special Counting and Computing Devices developed for every conceivable counting duty, in every field from atomics to electronics.

What do you need to count? Just write:

VEEDER-ROOT INCORPORATED
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BUSINESS WEEK • June 4 • NUMBER 1344

(with which are combined The Analyst and the Magazine of Business) Published weekly by McGraw-Hill Publishing Company, Inc. Executive, Editorial, Advertising, and Subscription Offices: McGraw-Hill Building, 330 West 42nd Street, N. Y. 36, N. Y. Publication Office, 99-129 North Broadway, Albany 1, N. Y.; entered as second class matter Dec. 4, 1936 at the Post Office at Albany, N. Y. under act of Mar. 3, 1879. Donald C. McGraw, President; Paul Montgomery, Executive Vice President; Joseph A. Gerardi, Vice President and Treasurer; John J. Cooke, Secretary; Nelson Bond, Executive Vice President, Publications Division; Ralph B. Smith, Vice President and Editorial Director; Joseph H. Allen, Director of Advertising; J. E. Blackburn, Jr., Vice President and Circulation Director. FOR SUBSCRIPTIONS, write to: Business Week, Subscription Service, 330 West 42nd Street, New York 36, N. Y. Subscriptions to Business Week are solicited only from management men in business and industry. Position and company connection must be indicated on subscription orders. Subscription rates: United States and possessions \$6 a year; \$12 for three years. Canada \$7 a year; \$14 for three years. Other Western Hemisphere countries and the Philippines, \$20 a year; \$40 for three years. All other countries \$25 a year; \$50 for three years. Single copies, 25c. Printed in U.S.A. Copyright 1955 by McGraw-Hill Publishing Co., Inc. All rights reserved.



One of 31 split-level homes at Maple View Terrace, Feasterville, Pa., with Webster Baseboard Heating. Architect: Harold M. Neal, Cornwells, Pa. Builder: DeGuerico & Whitaker, Oakford, Pa. Heating Contractor: Gill Bros., Churchville, Pa.

Webster Baseboard SPEEDS SALES

At Maple View Terrace, 31 split-level homes priced at \$14,250 get low-cost modern heating comfort with Webster Tru-Perimeter Forced Hot Water Baseboard Heating.

"With Webster Baseboard," said the builders, "our houses are easier to sell. The buyer knows he is getting more for his money."



Living room at Maple View Terrace. Tru-Perimeter Forced Hot Water Webster Baseboard Heating spreads heat along all exposed walls. Note floor-length draperies.

"The flexibility of Webster Baseboard Heating," said Ross Leader, of Gill Bros., heating contractors, "meets the special needs of a split-level; heating is uniform on every level. Owners get clean, gentle draft-free warmth. No loss of floor or wall space."

Send for folder, "Wonderful Webster Baseboard Heating".

Address Dept. BW-6

WARREN WEBSTER & CO.
 Camden 5, N.J. Representatives in Principal Cities
 In Canada, Darling Brothers, Limited, Montreal

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 TRU-PERIMETER FORCED HOT WATER
 BASEBOARD HEATING

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*Ask your Reo man today how
you can get this amazing warranty with
the next truck you buy.*

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At last—you can buy truck engine performance *by the mile*. This 100,000 mile warranty backs up the full line of revolutionary Reo Gold Comet Engines. Every Six from 107 to 160 horsepower. Every V-8, from 195 to 220 horsepower; pound for pound, these are the *most powerful truck engines ever built*. All short stroke! All wet sleeve cylinder con-

struction! All high velocity cooled! Your choice of gas or LP-Gas. By every comparison Reo has the most completely modern truck engines on the road. So now, *it's a provable fact*. The day is here when buying less than a Reo truck for medium or heavy duty hauling *can cost you money*. Get all the facts from a Reo man today. You'll be glad you did!

REO

SUBSIDIARY OF

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ALUMINUM AND BRASS CORPORATION

Reo Motors, Inc., Lansing 20, Mich. • Toronto, Ontario



American Credit Insurance

AND

The Case of the Banker's Benefit

THIS is an example of how American Credit Insurance can be a decisive factor in securing commercial loans. Whether your own business is large or small, the principle is a valuable one to keep in mind.

The policyholder, a cabinet manufacturer doing a gross business of some three million dollars a year, was offered an extremely attractive contract by a television concern of many times its own size. Only one hitch seemed to exist: a need for additional working capital at the outset, to finance substantial purchases of materials and a fairly large tooling-up operation. At the same time, the policyholder was anxious to have its new account included in the coverage afforded by the existing policy, and routine inquiry went forward to American Credit in this matter.

Discussion brought out the financial aspect of the entire contemplated setup, and the suggestion was made that the insured accounts receivable of the policyholder be used as collateral for a bank loan. Would a bank advance funds on this basis?

A bank would and did—and the policyholder proceeded to close the deal. The new account was afforded coverage up to 150 thousand dollars, and a collateral benefit rider was attached to the policy, under which the lending bank was given equal assurance with the policyholder of the payment of all the accounts covered. The operation moved forward, and all went smoothly, until . . .

With an outstanding of more than 110 thousand dollars for actually delivered cabinets, the account became past due. The many-times-larger television concern proved less sound than the cabinet manufacturer serving it. After failure to collect, suit had to be entered, but—neither the cabinet company nor the lending bank had any primary part to play in this act of the drama.

Under the terms of the policy, the bank immediately received a loss payment of more than 85 thousand dollars—and the policyholder suffered no loss of credit standing, no diminution of working capital, no alteration of the terms of the loan.

Have you considered the possibility of using insured accounts receivable as collateral in your own financing operations? For your copy of a new booklet: "Credit Insurance, Its History and Functions," write Department 42, First National Bank Building, Baltimore 2, Maryland.

American Credit Indemnity Company of New York

READERS REPORT



Innocent Bystander

Dear Sir:

In **BUSINESS WEEK** April 30, 1955, p. 28 you have a very good pictorial coverage of the heated Montgomery Ward stockholders meeting held at the Medinah Temple in Chicago. In the lower right hand corner of page 29, a stockholder is shown standing near the cluttered press tables holding a newspaper which headlines the status of the meeting.

It was indeed a surprise to see myself pictured in your coverage, inasmuch as I am that stockholder with the newspaper.

Unless one were present at the meeting, it is difficult to describe the mixed emotions that were felt. One look at the number of newsmen and cameramen on hand gave [this] spectator the feeling that he was witnessing an event of national interest.

At times the meeting hit the high points of drama one would expect to see in a Broadway presentation. On the other hand, the boisterous conduct of some stockholders made me feel as if I were sitting in the bleachers at Wrigley Field watching the Cubs stage a ninth-inning rally.

In any case, it was an event that will remain in my memory for years to come. . . .

MELVIN J. BLIWA

CHICAGO, ILL.

A Matter of Taste

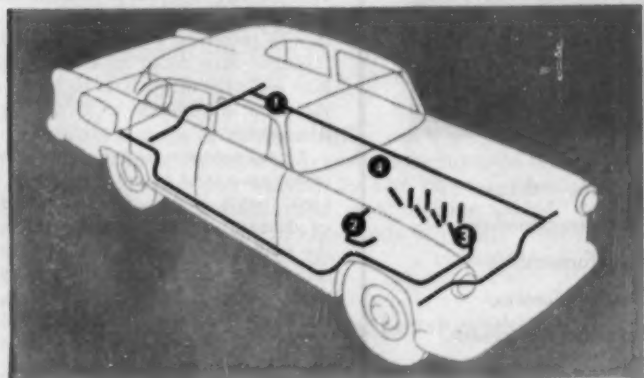
Dear Sir:

On the Personal Business page (184) of the May 14, 1955 issue of **BUSINESS WEEK**, we noted the following statement, "It's in much better taste to send a small piece of



Bundyweld Steel Tubing

...the lifelines in 95% of today's cars!



1 Brake lines of extra-strong, dependable Bundyweld assure you that you'll stop in time — when stopping matters.

2 Oil lines made with leakproof Bundyweld keep oil where it belongs. No costly repairs or ruined engine for you.

3 Bundyweld gasoline lines stay smooth, leakproof despite battering from flying stones, punishing vibration.

4 Tough, lightweight push rods of Bundyweld help engineers produce more powerful overhead-type engines.

Today's power-packed, high-speed automobiles give you the utmost in comfort, luxury, and—safety! Safety made possible because of Bundyweld Steel Tubing—used as lifelines in 95% of today's cars!

Automobile manufacturers insist upon Bundyweld for vital gas, oil, and brake lines, because they know they can expect and get rugged, dependable performance. Double-walled Bundyweld Steel Tubing is strong and leakproof, and resists vibration fatigue. Brake lines made of Bundyweld are *fifteen times stronger than is necessary to protect your life!*



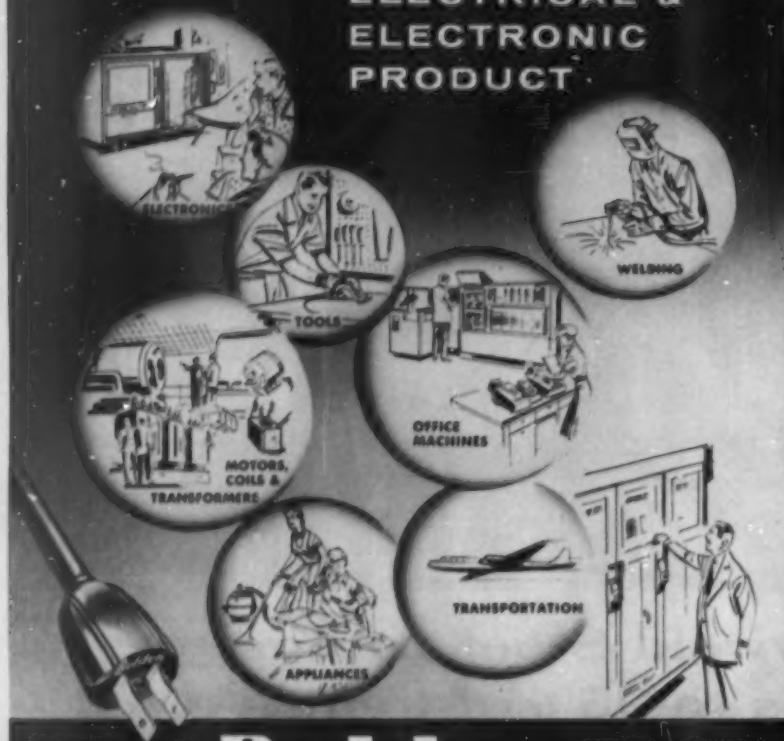
Made by the world's largest producer of small-diameter tubing, Bundyweld Steel Tubing is the only tubing double-walled from a single metal strip, copper-bonded through 360° of wall contact.

BUNDYWELD TUBING®

"The lifelines of your car"

BUNDY TUBING COMPANY • DETROIT 14, MICHIGAN

WIRE FOR EVERY ELECTRICAL & ELECTRONIC PRODUCT



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WIREMAKER FOR INDUSTRY
SINCE 1902

Engineered wire for everything electrical or electronic—that is Belden's business. Hair-like filaments to wind the tiny transformers of transistor or heavy magnet wires for utility transformers two stories high—power supply cords for the smallest appliances, like your shaver—up to heavy duty electric tools and equipment.

For welders, for planes, for electronic brains—Belden has the wire for the job—Belden quality means lowest over-all cost.

Belden Manufacturing Company

Chicago 80, Illinois

MANUFACTURERS WHOSE PRODUCTS SERVE BEST

Specify **Belden**

sterling silver rather than a large showy item of silver plate."

[We] are in the fortunate position of producing both sterling silver and silver plated hollowware, yet we believe that many brides would be the first to disagree with your top etiquette experts.

We contend that the true differentiation to be drawn by any etiquette expert should be based on beauty and craftsmanship—whether sterling or plate. . . .

This letter is not to be considered as an attack on sterling silver (we make it, too), or criticism of *BUSINESS WEEK* (far from it, as we wear out your magazine with daily use), but we would like to reassure your readers that they have not committed a faux pas by giving the bride a beautiful heavy-weight double vegetable dish or some similar useful object crafted in fine silver plate.

HAROLD F. JOHNSTON

PUBLICITY MANAGER

ONEIDA LTD.

ONEIDA, N. Y.

Not Quite Retirement

Dear Sir:

It was with great interest that I read reader Lee's letter on the subject of retired executives taking part in small business [BW—May 21'55,p10]. Apart from the great satisfaction that these executives would get from the active participation in fathering a successful small business, they could never imagine how welcome they would be by giving their experience to struggling newcomers. . . .

I have recently started a business of my own, and would greatly welcome [such advice] from a board of directors of such capable men. As reader Lee points out, it is a rare person who possesses the ability to buy, sell, administer an office, and everything else that is involved in the operation of a running business. . . .

If any qualified men are available, will they come forward and help . . . advise those who have the initiative and energy to venture into their own business.

H. TAUREL

CLOSTER, N. J.

The Consumers' Expense

Dear Sir:

Re your second article on page 118 of *BUSINESS WEEK* May 14, 1955, concerning "fair trade" and anti-loss-leaders. Here's an oddity you didn't point out: Both of these

HOW TO BUILD A LARGER ENGINEERING DEPARTMENT and *not spend a cent* for construction!

**Auto-Shift tables save up to 50% floor space!
Make costly new construction unnecessary!
Sharply increase productivity-per-draftsman!**

Working space for *just one more* draftsman can cost you over \$1500—*unless* you re-equip with Hamilton's remarkable Auto-Shift tables! To give extra draftsmen the working room they need, you can choose between new construction costs averaging \$25 a square foot—or Auto-Shift tables, which increase the efficiency of *existing* space up to 50%! Installed in rows, they provide reference surface and drawer right behind each draftsman (see diagram)—so that 250 square feet of space accommodate *two more* Auto-Shifts than separate boards and desks!

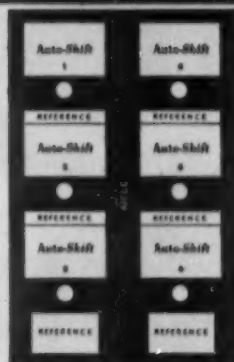
What's more, with Auto-Shifts you enlarge your department *overnight*. No costly interruptions for construction. No waiting to add those needed men. Even counting the cost of new tables, savings can amount to thousands of dollars . . . and thousands of man-hours . . . *immediately*.

You save men's energy for better work!

Auto-Shift sharply cuts draftsman-fatigue, steps production 'way up! Counterbalanced top adjusts *instantly* to any desired position—for frequent change of height and slope. This is only one of many Auto-Shift features which keep men happier and more productive on the job—getting the work done faster, easier, and better! Auto-Shift tables pay for themselves many times, in so many ways!



4 men work at standard tables and desks in about 250 square feet



6 men work at Auto-Shifts in approximately same area

You can get the whole important story now!

Available right now from Hamilton are all the interesting facts about Auto-Shift tables—their many efficiency and construction features—how they save you money by getting more work done in the space you already have. For complete details—*free*, without obligation—send this coupon today!



Hamilton Manufacturing Company
Drafting Division
Two Rivers & Wisconsin

I want more facts on how Auto-Shift tables can save us money and increase draftsmen's productivity. Please send me—without obligation—the whole Auto-Shift story!

Name

Firm

Address

City

Zone

State

Hamilton DRAFTING EQUIPMENT

Hamilton Manufacturing Company, Two Rivers, Wisconsin

"JOB-FITTED COMBINATION SCRUBBER-VAC

PUTS FLOOR-CLEANING ON PRODUCTION BASIS

throughout our plant



—Says Superintendent of Maintenance
VICTOR ADDING MACHINE COMPANY

Victor Adding Machine Company, Chicago, insists on maximum production in floor-cleaning as well as in manufacturing. Like other production-wise industrial concerns, Victor cleans floors with a Job-Fitted Combination Scrubber-Vac! This single unit

Completely Mechanizes Scrubbing

—applies the cleanser, scrubs, flushes if required, and picks up — *all in one operation!* Job-fitted to specific needs, a Scrubber-Vac provides maximum brush coverage. Model 213P, shown in illustrations at left, is designed for heavy duty scrubbing of large-area floors. It has a 26-inch brush spread, and cleans up to 8,750 sq. ft. per hour! Finnell makes still larger sizes — in gasoline as well as electric models — and also sizes for smaller operations. From this complete line, you can choose the Scrubber-Vac that will put your floor-cleaning on a production basis and reduce labor costs. And you can lease or purchase the machine. Maintenance men like the convenience of working with a Scrubber-Vac. This *all-in-one* unit is self-propelled, and there are no switches to set for fast or slow — slight pressure of the hand on clutch lever adjusts speed to desired rate.

It's also good to know there's a Finnell Floor Specialist and Engineer nearby to help train your operators in the proper use of Finnell Equipment and to make periodic check-ups. For demonstration, consultation, or literature, phone or write nearest Finnell Branch or Finnell System, Inc., 3806 East St., Elkhart, Ind. Branch Offices in all principal cities of the United States and Canada.

FINNELL SYSTEM, INC.

*Originators of
Power Scrubbing and Polishing Machines*

FINNELL

BRANCHES
IN ALL
PRINCIPAL
CITIES

practices are intended to benefit business at the expense of the consumer; yet Democrats seem to favor them, and Republicans are looking toward their restriction.

Actually the reversal isn't so strange. Since 1932, at least, Democrats haven't really been for the consumer unless he was organized in a way to deliver votes. If he belonged to a bloc (unions, farmers, northern Negroes, TVA, or other such regional dips in the tax barrel) his opinion counted—otherwise not. Note that government bondholders, pensioners and white-collar workers who were badly hurt by inflation, lacked the voice to inhibit Democratic pump-priming policies.

Price-fixing has a double appeal to both Democratic and Republican political dealers. It promises to deliver a substantial block of small business votes plus some big business votes, and it provides an excuse for an additional government bureau or two, whose people would otherwise move into productive enterprise.

We should be proud of an administration which acts in behalf of the amorphous group to which we all belong—the consumers.

P. S. BARROWS

DEL MAR, CALIF.

Talent Overlooked

Dear Sir:

"The Mystery of Executive Talent," which appeared in the May 21, '55 issue of BUSINESS WEEK, p.43, prompts this reply. The assumption that all executives have a common denominator, which when discovered, will simplify selection of future management timber, is completely and abjectly false. . . .

Executive success in one field does not necessarily insure success in another. A winning smile might do wonders in promotion and selling, but could be completely overlooked in precision tool production.

However, if sincere effort is being made to uncover talent, the outlook is not as critical as stated in the article. The trouble with management is that they can't see the forest for the trees. Many companies abound with good eager men, qualified in every respect for executive promotion, who are blocked permanently by seniority codes, or lack the "proper" affiliations in social, religious, political, or fraternal circles. Another deterrent is the superior that deliberately smothers competition, or refuses to permit transfer of talented help to another

"Down time's" double, and he's in trouble!



Alas, poor foreman! The plant manager is really blowing up. And so soon, too! . . .

For the idle man-hours he's beefing about were chalked up only yesterday. Yet the whole story was on his desk today . . . thanks to the speed of Keysort punched-card accounting.

Time was when below-standard performance went undetected for weeks, while overhead leaped upward like a gazelle. Slowly-processed figures were to blame. But now Keysort gives the plant manager a detailed summary of the previous day's labor costs by 2 P.M. each after-

noon. Knowing the facts, he can move to correct wasteful in-plant situations *on time* — before they turn into profit drops.

A McBee Keysort installation can give you comprehensive, accurate reports on every phase of factory operation, and give them to you *fast*. In your hands, complete, by the 4th of each month. Important interim figures weekly, even daily. Whether yours is a 100-man branch plant or a payroll of many thousands. At surprisingly low cost.

The trained McBee man near you can show you how it's done. Or write us.

McBEE



KEYSORT

Punched-card accounting for any business

Manufactured exclusively by The McBee Company, Athens, Ohio • Division of Royal McBee Corporation
Offices in principal cities • In Canada: The McBee Company, Ltd., 179 Bartley Drive, Toronto 16, Ontario



Henry P. Schmidt, Pesco's assistant chief engineer, explains:

How necessity made better electric motors

"How did we get into the electric motor business? A fair question . . . and the answer is simple. We had to. We couldn't get motors to match the high performance characteristics of our pumps, so we were forced to make our own.

"We took a fresh approach . . . and came up with a line of special purpose DC and high frequency AC motors that we don't think can be beat for dependability.

"While we were at it we included some unique improvements: we built them in five coordinated frame sizes using standard parts to simplify design and speed delivery; we miniaturized them to get the most power for the least size and weight; we 'ruggedized' them to get good reliable performance under almost any condition of temperature, vibration, humidity, pressure or duty cycle."

These Pesco Electric Motors are now available to you for applications where critical conditions demand something better than an ordinary motor. Built in sizes from 1/100 to 11 horsepower, they have been proved by extensive service under extreme environmental conditions. To learn more about Pesco Electric Motors for industrial or aircraft uses, call in a Pesco sales engineer . . . or write for a brochure on Pesco products.



PESCO PRODUCTS DIVISION

BORG-WARNER CORPORATION

24700 NORTH MILES ROAD • BEDFORD, OHIO



Producing the Best in Hydraulic Pumps, Fuel Pumps and Electric Motors

division because it would inconvenience his little domain, or might even show him up as a phony "executive." Last but not least, is the bottomless supply of blood relations, friends, or in-laws that are ever present in quantity whenever a job of \$5,000 or more is open, and which one of them invariably gets. These parasites are especially repugnant because they not only further bury prospective management talent, but in many cases demoralize a department by assuming they automatically acquire the qualifications of the job with the title. And who holds the bag when something goes amiss? You can bet your life it isn't Aunt Agatha's nephew.

Selection of top personnel in any organization can be easily made provided one has complete authority in evaluating and placing help according to actual and prospective ability. Recognition of talent takes more than a course in Psychology II. It requires thorough knowledge of the basic requirements of the job, plus foresight in the growth of the company. He must be permitted to design procedures that would provide periodic rating of executives. Like the manager of a major league baseball team, he would strive for a good bench, and find room for the exceptional rookie when necessary.

MICHAEL D. SERBLIN

CONSULTING ENGINEER
CHICAGO, ILL.

Final Heat

Dear Sir:

I don't know how far you want to carry this office heating matter, but I feel Heat Answer No. 2 is quite misleading [BW—Apr. 16 '55, p12]. We all know there are plenty of good controls available, but it's the human element that adjusts controls that reader Kain refers to, and Kain is right. Someone in authority should determine settings, and see that they are maintained. . . .

LIONEL L. JACOBS

WAYNE, PA.

• This is as far as we intend to go with the office heating controversy.

Letters should be addressed to Readers Report Editor, BUSINESS WEEK, 330 West 42nd Street, New York 36, N. Y.



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SOLUTION: Sun developed its now famous Sunoco Way Lubricant—a product so outstanding in its ability to overcome "stick-slip" that today, more than

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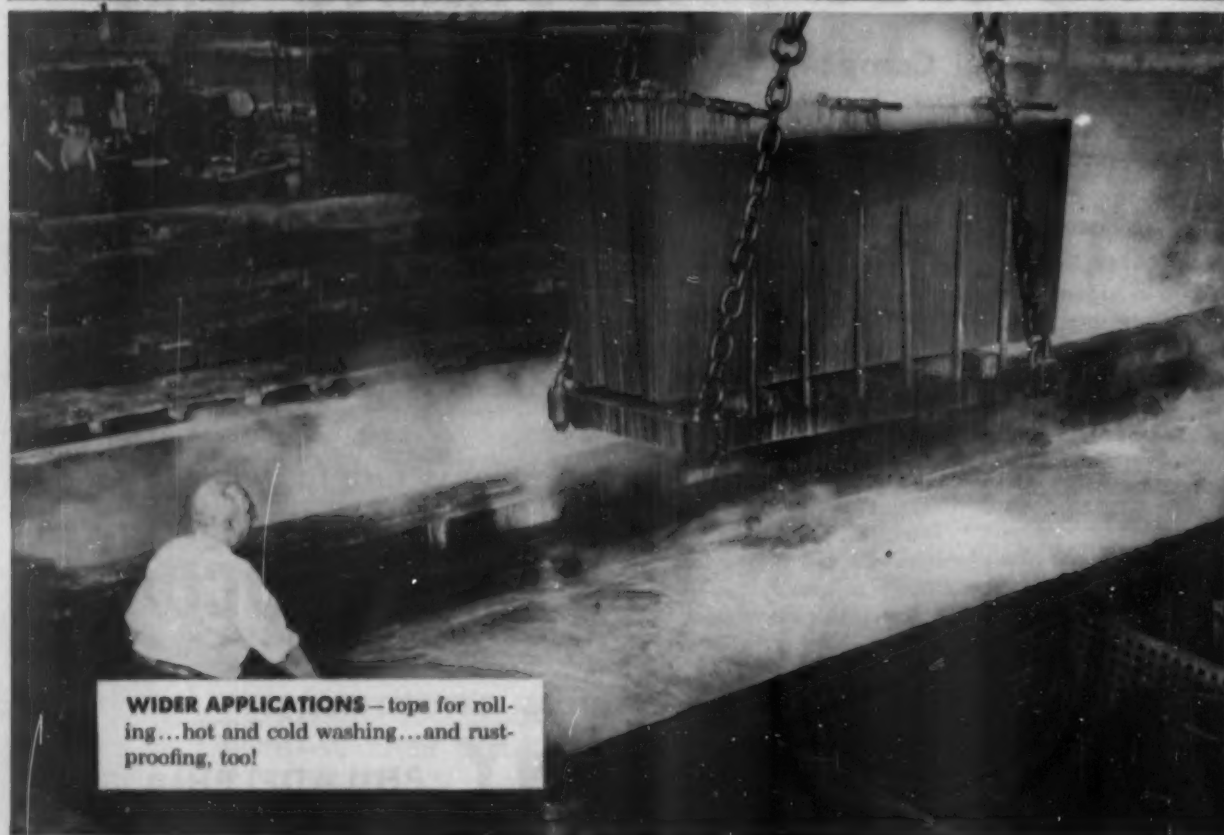
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IN CANADA: SUN OIL COMPANY LTD., TORONTO AND MONTREAL



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IN CANADA: SUN OIL COMPANY LTD., TORONTO AND MONTREAL

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BUSINESS OUTLOOK

BUSINESS WEEK

JUNE 4, 1955



The price of labor peace in Detroit will be high. It will put pressure on prices all through the economy.

You could see this inflationary push coming when both sides turned their cards face up on the bargaining table. The auto workers' demands figure out to something like 35¢ an hour in additional costs (pages 25 and 132). Ford's counter offer had the same price tag on it. By comparison, the first and so far the biggest round of postwar wage hikes was only 18½¢.

The Ford concession on the principle of the guaranteed annual wage puts a new calculation into the business outlook.

From the whole deal you can draw conclusions something like this:

- It's the effect on costs that will count. Since only part of the package will go straight into pay envelopes and the rest will be locked up in benefits such as employment stabilization, paid holidays, and other fringes, the settlement won't have too great an impact on spending power.

- The bargaining sets precedents—in costs of the package and in features such as stock purchase plans and employment stabilization—that will be widely adopted through industry this year. It'll put new pressures on steel negotiators in Pittsburgh, for example. So it will not be just Detroit that will feel a sharp upward boost in production costs.

- The settlement comes at a time when it will have triggering effects on price increases. Business activity has been picking up steam for nine months—but prices have been remarkably stable.

More important, wages and other costs have been rising steadily since 1953, but there's been practically no gain in prices at either wholesale or retail.

- The stock purchase and employment guarantee plans will boost savings—and the securities markets.

—•—

The settlement won't produce any immediate inflationary explosion. Its direct effects on pay envelopes aren't that big. And it will take time for the upward "cost-push" to work through the economy.

Detroit's car makers will swallow the extra costs on 1955 models. There's no point in jacking prices at the end of the season. And manufacturers may absorb some of the extra on 1956 lines. Sales competition is hot. And the industry has apparently been getting dividends in higher productivity from new plants and equipment.

But eventually some of those cents-per-hour added by the settlement will be passed along in retail prices.

—•—

The Detroit deal will have an important effect on other labor negotiations this year—in steel, nonferrous metals, construction, electrical equipment, other lines.

Much of this effect may be psychological. Steel, for example, is bargaining only on wages. It can't get into bargaining over many of the issues that were peculiar and special in the auto negotiations.

But the Detroit settlement will stiffen backbones all along the line. No labor leader can afford to settle cheaply now.

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK

JUNE 4, 1955

Take steel, for example. Steelmen figure roughly that every 1¢ increase in wages means a rise of 40¢ a ton in the price of ingots. Of the 40¢, about half is direct expense—it takes about 20 man-hours to produce a ton of ingot. The other 20¢ comes from price increases in the things the industry buys. In fact, steelmen say they can see the cycle work out in their own industry. A rise in their own prices eventually comes back to them in the prices of the materials and equipment they buy.

—•—

However the Detroit negotiations go, big chunks of the settlement money will eventually go into the capital markets. Stock purchase plans—such as those set up by du Pont and other companies (page 70) and that thrown into the bargaining by Ford—will change the U.S.' savings habits. So will the reserves accumulated in employment stabilization programs.

Sooner or later, companies will be putting this money to work—that could make the kitties at least as big a factor in securities markets as are the pension funds.

The programs raise questions for economists: Will they divert enough money from the stream of purchasing power to slow down the economy? Or will people feel more secure with employment stabilized and so be willing to save less and spend more of their take-home pay?

—•—

More and more, business is talking expansion. You hear it in steel (page 27), aluminum, cement, other industries. These plans right now are putting men to work, filling order books. They may become an even more powerful stimulant to the boom as companies with 1955-style labor settlements go shopping for cost-cutting equipment.

Already, heavy construction work is accelerating. Look at the way contract awards for construction are running. They were averaging \$335-million-a-week earlier this year, according to Engineering News-Record. Now they are hitting around \$440-million.

Contracts for these big projects are running 40% ahead of a year ago. In comparison, the home construction business is only 22% ahead of last year.

This underwrites good general business all through 1955—and well into the years ahead. ENR reports its backlog of heavy construction work in planning stages is almost \$84-billion. That's a rise of more than \$4-billion in four months of this year compared to a gain of only a little more than \$5-billion in all of 1954.

Take another look at Detroit to see why companies want more capacity.

Last year Ford thought it had finally built enough new plant to overtake Chevrolet. But Chevrolet is still turning out more passenger cars—8% more so far this year.

And Buick has moved into third place in production. It's produced 357,783 cars against Plymouth's 356,540—despite Plymouth's remarkable comeback in sales.

Steel that keeps a lift truck from letting down

STEEL mills use giant ram trucks to pick up and carry coils of steel weighing up to 50 tons. This whopping load is concentrated on the truck's drive axle shaft. To avoid breakdowns it takes not only a strong steel but a long-wearing steel.

The truck manufacturer couldn't wait for on-the-job results to prove or disprove his choice of steel. He called in Timken

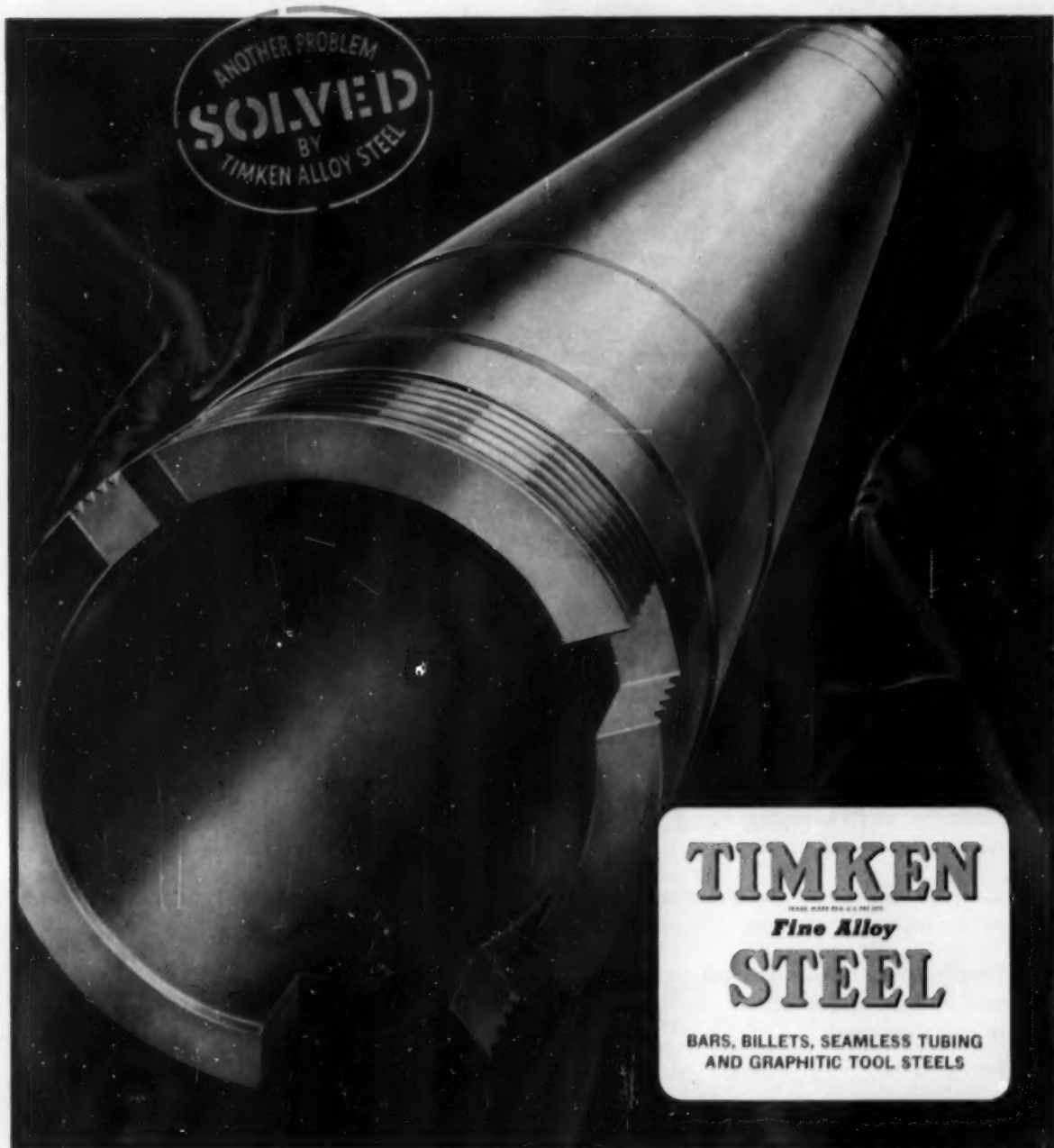
Company metallurgists while the trucks were still in the design stage. With design information and service requirements supplied by his engineers, we were able to specify the right steel from the start: a certain analysis of Timken® seamless steel tubing.

It proved to be the answer. When heat treated, it gave a high surface hardness

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(Names of these companies, and other signed statements, on request.)

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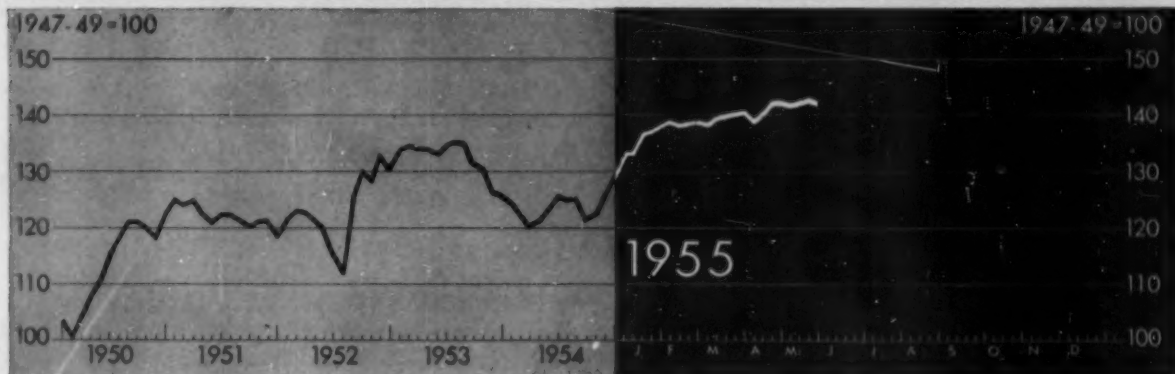
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FIGURES OF THE WEEK



Business Week Index (above) *142.9 †143.2 142.6 124.3 91.6

PRODUCTION

Steel ingot production (thousands of tons).....	2,334	†2,326	2,331	1,674	1,281
Production of automobiles and trucks.....	209,854	†221,936	231,021	148,733	62,880
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands).....	\$72,230	\$71,939	\$62,642	\$50,755	\$17,083
Electric power output (millions of kilowatt-hours).....	9,976	9,730	9,699	8,433	4,238
Crude oil and condensate production (daily av., thousands of bbls.).....	†16,655	6,676	6,836	6,431	4,751
Bituminous coal production (daily average, thousands of tons).....	1,542	†1,478	1,429	1,200	1,745
Paperboard production (tons).....	274,342	279,415	266,188	241,709	167,269

TRADE

Carloadings: manufactures, misc., and Lc.I. (daily av., thousands of cars).....	75	74	72	68	82
Carloadings: raw materials (daily av., thousands of cars).....	54	52	46	46	53
Department store sales (change from same week of preceding year).....	+8%	+11%	+11%	-5%	+30%
Business failures (Dun & Bradstreet, number).....	204	226	212	206	22

PRICES

Spot commodities, daily index (Moody's Dec. 31, 1931 = 100).....	397.7	401.5	399.2	436.7	311.9
Industrial raw materials, daily index (U. S. Dept. of Labor BLS, 1947-49 = 100).....	90.9	91.0	92.0	87.2	†173.2
Foodstuffs, daily index (U. S. Dept. of Labor BLS, 1947-49 = 100).....	86.4	86.4	85.2	101.9	†175.4
Print cloth (spot and nearby, yd.).....	18.7¢	18.7¢	18.5¢	19.2¢	17.5¢
Finished steel, index (U. S. Dept. of Labor BLS, 1947-49 = 100).....	144.8	144.8	144.8	140.8	†176.4
Scrap steel composite (Iron Age, ton).....	\$34.00	\$34.00	\$35.00	\$28.58	\$20.27
Copper (electrolytic, Connecticut Valley, E&MJ, lb.).....	36.000¢	36.000¢	36.000¢	30.000¢	14.045¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	\$2.59	\$2.49	\$2.46	\$2.41	\$1.97
Cotton, daily price (middling, ten designated markets, lb.).....	33.87¢	33.94¢	33.70¢	34.40¢	30.56¢
Wool tops (Boston, lb.).....	\$1.90	\$1.94	\$2.00	\$2.12	\$1.51

FINANCE

90 stocks, price index (Standard & Poor's).....	301.1	298.2	300.2	231.5	135.7
Medium grade corporate bond yield (Baa issues, Moody's).....	3.50%	3.49%	3.49%	3.49%	3.05%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate).....	2-2½%	2-2½%	2-2½%	1½-1½%	3-1%

BANKING (Millions of dollars)

Demand deposits adjusted, reporting member banks.....	56,493	†56,294	56,969	54,358	†145,820
Total loans and investments, reporting member banks.....	84,297	†84,679	84,778	79,649	†171,916
Commercial and agricultural loans, reporting member banks.....	22,635	†22,737	22,545	21,854	†19,299
U. S. gov't guaranteed obligations held, reporting member banks.....	33,339	†33,743	33,983	33,041	†49,879
Total federal reserve credit outstanding.....	24,834	24,908	25,031	25,512	23,883

MONTHLY FIGURES OF THE WEEK

	Latest Month	Preceding Month	Year Ago	1948 Average
Consumer credit outstanding (in millions).....April.....	\$30,655	\$29,948	\$28,095	\$6,704
Installment credit outstanding (in millions).....April.....	\$23,513	\$22,974	\$21,426	\$3,174

* Preliminary, week ended May 26, 1955.
† Revised.

†† Estimate.

‡ Date for "Latest Week" on each series on request.

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STEEL IS READY TO GROW. Short-term prospects couldn't be better, and steelmen are making bold expansion plans.....p. 27

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making as Senate Committee starts hearings on recent battles.....p. 28

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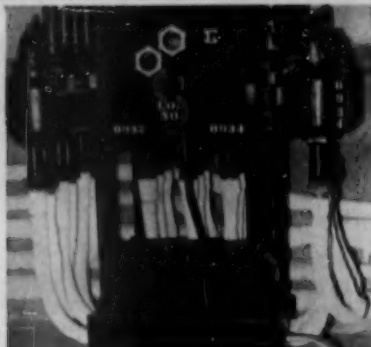
ST. LOUIS:

ST. LOUIS GETS ITS FACELIFT. Voters O.K. bond issue for city's biggest refurbishing job.....p. 98

LOOK WHAT RUBBER PRODUCTS MADE WITH NEOPRENE ARE DOING



FORTY MILES OF NEOPRENE-JACKETED CABLE carry electric power to Miami Beach's luxury hotels and apartments—among them the \$15 million Fontainebleau Hotel in the foreground. Florida Power and Light Company chose neoprene jacketing for underground cable because of its long-term resistance to corrosion, galvanic attack and abrasion from cable movement.



SWITCH VAULT at the new Fontainebleau Hotel where cables enter from underground conduits. Shown are the two sets of neoprene-jacketed 15 KV cables serving the hotel's electrical system.



CUTLER PLANT of Florida Power and Light is the largest in the state, will soon have capability of 380,000 KW. Eleven new power-generating units have been added to FP&L system since V-J day.

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Twenty-four hours a day, 365 days a year, neoprene is on the job in Miami Beach—protecting underground power cable from corrosive acid ground water. Like so many utility companies, Florida Power and Light has found that for all-round service, no other jacketing material for power cable can match neoprene, Du Pont's versatile chemical rubber.

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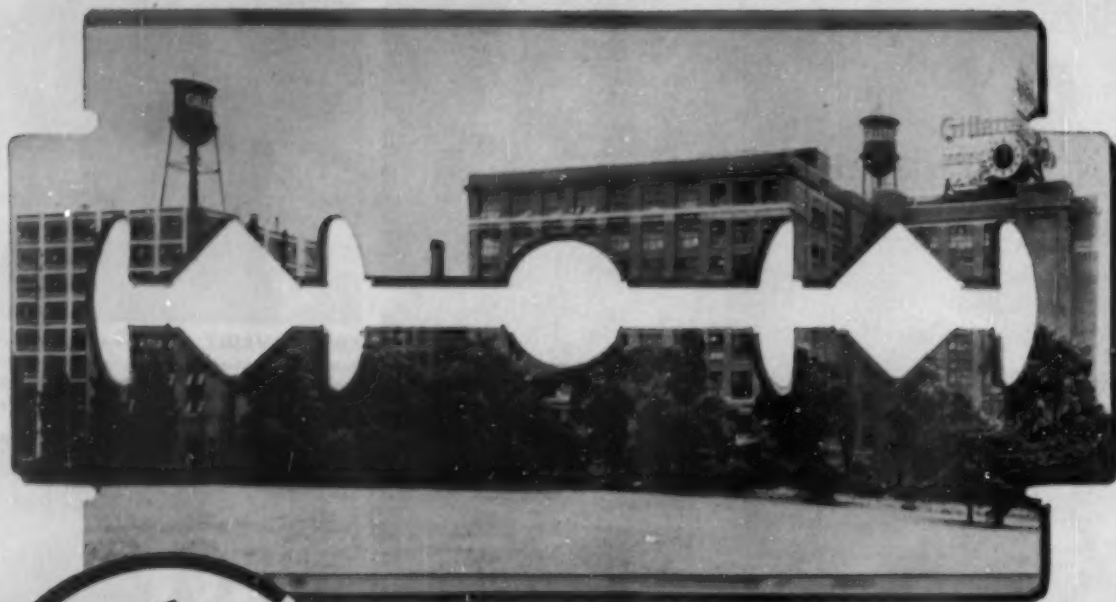
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TEXACO
INDUSTRIAL LUBRICANTS



Opening the Door for GAW

● Ford and UAW negotiators seem at midweek to have reached agreement on the principle of the guaranteed annual wage.

● General Motors and Chrysler will find it hard to resist a similar concession.

● Everywhere, bargaining will be stiffer, GAW demands harder to refuse.

The guaranteed annual wage was on the verge of industry acceptance at midweek. To be sure, its form was apt to be relatively mild. But, like the first move of the celebrated camel who wanted just a little space out of the storm, its nose was in the tent.

What brought GAW so close was Ford Motor Co.'s determination to avoid a strike that would cripple it in its hot competition with General Motors for the booming auto market. To keep operating, Ford clearly had to move toward meeting the demand to which UAW-CIO is presently dedicated. The company did that by agreeing to bargain on what it believed was the least reprehensible form of GAW: a system of unemployment compensation supplements.

• **New Proposal**—After making an offer to the union last week that was (page 132) imaginative, bold, and costly to the point where other employers were dismayed, Ford executives spent the weekend pondering the union's quick rebuff and waging an "open letter" exchange with UAW Pres. Walter Reuther. Discomforted by Reuther's effort to turn a major Ford point (on democratic processes within the union) against the company, Ford negotiators came into the bargaining session on Tuesday of this week with an entirely new proposal. And although both sides had bound themselves to reveal nothing of what transpired between them, one union official could not contain himself. "When we heard what they had to offer," he boasted, revealing none of the details, "Walter [Reuther] said, 'We're glad you're now ready to negotiate on the guaranteed annual wage.'"

• **One Shape of GAW**—It soon became clear that what Ford offered, in lieu of its original "income stabilization plan," was a system of company-paid supplements to unemployment compensation. To the UAW-CIO, this has always been one form in which GAW could be cast.

Hard bargaining convinced the union that the modest terms incorporated in the new Ford offer were "negotiable."

With the deadline for a big strike meeting at Ford's home plant on the Rouge just minutes away, the union agreed to extend the old contract another five days, until Monday morning, June 6. The extension carried with it the unqualified statement that there would be no further extension—that "if an agreement has not been reached between now and that date, a strike will begin."

• **Two Supplements**—Ford's acceptance of the principle of supplementing unemployment compensation is comparable to industry's previous acceptance of responsibility for supplementing federal social security by means of pensions. That led to the tremendous growth of employer-financed pension systems. Unemployment pay for industry is not expected to spread so fast nor so far as retirement pay but by midweek, industry circles were dejected by the fact that a new and expensive area of collective bargaining has been opened.

Immediately under the gun was General Motors. Unbeknown to the union, GM and Ford had been in close liaison on their bargaining with UAW up until last weekend. Realizing that UAW's most effective weapon was the opportunity to play one competitor off

against the other, the two motor companies had arranged to make the union a virtually identical offer. GM presented it earlier, and the union, with what appeared to be the result of careful analysis, quietly turned it down. When it got the same offer from Ford a week later, it hit the ceiling. Livid with rage, Reuther told the Ford bargaining team—when they finished reading the plan aloud—that he had already calculated its cost to 1-100th of a cent.

• **Bitter Reception**—No one from within the Ford executive group would say how they had expected the union to take the company proposal; clearly, to UAW, it was gall, with wormwood added by the revelation that Ford and GM were moving in step. In any event, the company's follow-up was a letter to Walter Reuther, signed by Henry Ford II, and made public by the company. Its occasion was the expected invitation by the union to Ford to address its strike meeting, a standard UAW gambit.

Ford wrote, "In the interest of the democratic process, as I understand it, I hope you will be able to satisfy yourself that any decision you and the council may reach today [on whether to accept the Ford offer, or strike] truly reflects the opinion and reaction to the Ford proposal of the men and women of the Ford Motor Co. whom you represent."

To Reuther, this was both a challenge and a gift. With a perfectly straight face he announced that he agreed to a "democratic determination." He proposed a secret ballot among Ford workers to choose between the union's demand and the company's offer, both parties agreeing in advance to be bound by the result. For once, the newspaper cliché, "it was something of a bombshell" seemed an accurate description of the effect of Reuther's proposal upon the negotiations. The Ford team asked immediately for a recess from morning until afternoon, then for a second recess until the next day. When negotiations did begin again, the company's first concern was to get agreement on a "moratorium" on public statements by both sides. The price it paid to adjourn discussion of implementing the democratic pro-

ess was the GAW principle, in the form of its proposal for unemployment compensation supplements.

• **GM's Position**—The "bombshell" not only blew the negotiations onto UAW's track; it may also have exploded Ford's liaison with GM. As the Ford-UAW negotiators stayed under a news blackout, working intensively against the new Monday deadline, GM was no more closely informed than any other bystander on what was going on. Privately, it expected the worst. And by the worst, it meant a near-complete Ford capitulation to UAW terms—leaving GM isolated and in a bad position to reject a deal that's sure to be presented as the blueprint for labor peace in its industry.

After GM comes Chrysler; but Detroit believes that Chrysler does not now have either the will or the resources to resist taking a contract that UAW wrests from either one of the industry's Big Two.

Beyond Chrysler, how far UAW will seek to blanket its jurisdiction with unemployment pay contracts is a question of timing. There is no doubt that ultimately UAW will not be content until every company it deals with has accepted what may become known as the "Ford principle." But there is some reason for believing it will not press with haste. It is sensitive to the precarious position of the independent companies in its industry, and well aware that the parts makers and suppliers to the big companies have economic problems of their own. Auto management men will not be surprised if the UAW's rigid pattern-bargaining tradition is broken this year after settlements are reached with the three chief producers.

• **And Steel**—Within the month, however, attention will shift to steel. Contracts there are open only for wage bargaining, but the drama in Detroit will have an impact. Some steelmakers, on the assumption that GAW will be accepted in autos and will be the big issue in steel bargaining in 1956, when present contracts expire, are considering what, for their industry, would be an unprecedented approach to the steel union. The idea is to "agree in principle" to accept a GAW of the auto industry type next year—and to ask for a "moderate" wage increase now in return. Steelmen flirting with this idea are worried that unless next year's contract figures in 1955 negotiations, the union will be after a pay boost of stunning magnitude this year. To take this, and then take GAW 12 months later may just be too rich a dish to swallow.

Whether this "double-header" approach will be tried may well be Roger Blough's first big decision on labor matters as chief executive officer of

U.S. Steel. If he decides against it, the other basic steel companies cannot be expected to pioneer, and GAW will be a 1956 issue for steel.

• **Industry by Industry**—With few exceptions, that will be the case for most other major employers dealing with CIO unions; with industrial-type AFL units, like the machinists' organization in the aircraft industry; or with big independent unions, like those in petroleum, which manage to get even more luxurious fringe benefits than the affiliated organizations are able to secure.

And don't be too surprised if some

employers adopt GAW for their own bargaining purposes. It was not so long ago that one big oil company offered its union GAW as part of a wage increase package that was smaller in rate raises than the union had asked. Estimating conservatively that it could comfortably employ its present labor force indefinitely and could plan any expansion in an orderly way, it guessed that GAW would cost it virtually nothing in the foreseeable future. The union turned it down that year because GAW had not yet come into fashion. From now on, however, things may be different.

Ford Gives Peek at Stock Plans

Through the unconventional medium of a labor negotiation, the Ford Motor Co. last week gave Wall Street some strong hints about what one brokerage man calls "the biggest financial event of our time"—the forthcoming sale of stock in the Ford company.

The Ford proposal that its employees eventually be permitted to buy company stock, with Ford paying part of the cost, shed no actual light on details of any Ford stock issue. But it gave new and more solid grounds for speculation that:

• The Ford Motor Co. itself will be recapitalized.

• The stock to be offered will carry voting rights.

• **Complications**—Ford's proposal to the United Auto Workers (CIO) in the Detroit bargaining (page 132) was couched in terms of "when, as anticipated, the stock is offered to the public." At present, the only large block that could be sold, the Ford Foundation's 3,089,908 shares, is non-voting. The foundation has confirmed that it is studying the sale of some of this, but "not earlier than the latter part of this year, if then."

While the foundation declines to explain the delay, several reasons are apparent. For one thing, the foundation must figure out how to re-invest the money from the sale. Beyond that, the stock can't be sold until the company discloses its financial figures to the Securities & Exchange Commission; and Ford naturally did not want to make these available while facing labor bargaining. Further complications are the two questions Wall Street has been wondering about—voting rights and company issuance of stock.

• **Voting**—Henry Ford II gave a tipoff on voting rights in an April speech commenting favorably on the fact that "workers own more and more of the business firms for which they work." Ownership doesn't necessarily mean voting rights, but in the context of Ford's speech it could.

Unless the stock carried some voting rights, it couldn't have the prestige of listing on the New York Stock Exchange—and both General Motors and Chrysler issues are listed—and this, too, could react against the employee ownership idea.

• **Stock Issue**—The fact that the company has no stock to offer immediately raised the conjecture that it would have to recapitalize and issue stock to be sure there was always some for the employees.

Investment analysts assume that the foundation, when it sells, would hold on to a large block, and that the stock would have to be split by perhaps as much as 20 to 1. Total outstanding Ford stock of all classes is now 3,452,900, the family holding 172,645 Class B (voting) and 190,347 Class A (non-voting) and the foundation the rest of the Class A. The foundation carries its stock at \$135 a share on its books; but with company assets of \$1.9-billion, the stock is probably worth around \$550 a share.

• **Problem of Size**—Wall Streeters insist that to get the stock widely distributed the market price will have to be in the neighborhood of \$30 a share. This would mean a 20 to 1 split. The result is a total of 60-million shares, a total so great that the foundation plainly could not expect to sell more than a portion of its holdings in one operation.

If the foundation dribbled out the stock, it's doubtful that any employee purchase plan would be workable—the price would get quickly out of hand, for one thing, with only a small amount available. And the foundation, not the company, would control the amount and price of employee purchases.

Insiders insist that the family, though represented on the foundation board by Henry and Benson Ford, wants to cut ties between company and foundation so neither can be held responsible for the actions of the other.



THE INDUSTRY'S LEADERS AGREE:

Steel Is Ready to Grow

The steel business burst through its own built-in sonic barrier last week and assured itself that the future is probably as good as it looks.

The last reservations were cast aside, appropriately, at the 63rd meeting of the American Iron & Steel Institute (picture). There, for probably the first time in 25 years, a spokesman described the industry in unreserved terms.

Steel, said Executive Vice-Pres. Max D. Howell of AISI, occupies "... a dynamic position among the great growth industries—along with electronics and chemicals ... and atomic energy."

• **Bubbling**—Howell wasn't alone in such optimism. For when the steel-making clan gathered at the Waldorf-Astoria, New York, its leadership was in a champagne mood. Short term and long term, it looked for nothing but the best.

Short term, for example, Chmn. Eugene G. Grace of Bethlehem Steel told a press conference he'd be disappointed if third-quarter operations this year sag below 100%. It would be hard to imagine a high-placed steelmaker saying anything more startling than that except during an all-out war.

Then Bethlehem's president, Arthur B. Homer, weighed in with a bold new prediction of the industry's long-term growth. The trade will have to add 60-million tons of steelmaking capacity in the next 15 years, he said. At an average yearly addition of 4-million tons, that sets a new mark for the industry to shoot at.

Earlier this year (BW-May7'55, p25), former Chmn. Ben Fairless of U.S. Steel had called for 65-million tons of new capacity in the next 25 years—an annual rate of 2.4-million tons. And Chmn. Ernest T. Weir of National Steel had called for another 75-

million tons by 2,000 A.D., or an annual addition of 1.66-million tons. Besides adding new capacity at this pace, the industry figures on replacing existing capacity over 25 to 30 years.

• **For Wall Street Ears**—Aside from the industry's various predictions of long-term growth, industry leaders happily told each other last week that steel had ended its days as a feast-or-famine industry. Howell tied this directly to the industry's long-term program of developing steels for the consumer goods industry, providing a second major market after the capital goods trade.

When they spoke thus, the steel-masters had their eye on Wall Street. They were attempting to convince the market that steel is no longer the volatile business it has been historically. For steel—if it builds all this capacity—will need a lot of money (BW-May7'55, p27), and at least part of it will have to be raised in the security markets (page 131).

• **Capital Spending**—From all this optimism, management can draw reassurance that steel will be a major factor in annual capital spending.

If you were to build 4-million tons of new capacity from the ground up, you could figure on spending \$300 per ton—or \$1.2-billion per year. A great deal of this new capacity, though, will not be built from the ground up. This will be particularly true in the first years of the 15-year span to which Homer referred. Rather, the gain will come from the expansion or "rounding out" of existing facilities.

That, of course, is going on in a smallish way right now. Inland Steel is adding 200,000 tons of steel capacity at Indiana Harbor right now, to be completed early next year. It will be achieved by increasing the plant's materials handling capacity rather than by adding new furnaces or enlarging old ones.

Much the same thing is happening in National Steel's operating divisions at Weirton, W. Va., and Detroit. There, 250,000 tons of capacity are being added. Colorado Fuel & Iron, as well, has announced an undisclosed addition to its capacity at Buffalo by increasing furnace size.

Projects of this nature are available, doubtless, at every steel producing plant in the land, with the possible exception of U.S. Steel's new Fairless Works. Probably, too, the engineering is well along, if not complete, on most of them. Thus, these are the capacity additions that can be expected to get off the ground first and fastest.

• **Dollars**—How much will this expansion add to the capital spending stream? The answer, of course, will vary from producer to producer. There's pretty good evidence, though, that capacity to be had by "rounding out" ought to

average close to \$150 per ton at today's prices. So 4-million tons per year of such capacity would mean the spending of \$600-million per year by steel, without counting the replacement of obsolescent equipment.

To figure the contribution to capital spending from the replacement of present capacity, assume that the existing 125-million tons will be replaced over the next 30 years. If that were done at a steady pace, it would mean 4.1-million tons per year. Again, at \$150 per ton, that would add another \$605-million annually to steel's spending tab, or \$1.2-billion per year for new and old plant both.

It's a little unrealistic, of course, to assume that both programs will click along steadily at a flat rate. Also, there are some developments in operation now—the oxygen converter and the continuous casting machine, to name two—which could lower substantially the capital investment required to meet these projections of capacity.

Still, no matter how you qualify it, you can see the necessity for steel to lay out a minimum of \$1-billion per year for years ahead. If the rest of the economy matches that pace, business will be at a high enough level, probably, to force the steel people to spend money even faster than this minimum rate.

• **Today**—When the steelmen can forget the future long enough to examine the present, they continue to be optimistic beyond easy belief.

"There isn't anything that can stop this year from being a good one," Fairless said last week.

At least four major producers are now on record predicting third-quarter operations as close to capacity as can be maintained. There still is no sign of any concerted cutback in the ordering of automobile steel, even though some steelmen say cutbacks have begun in a small way. With a price boost inevitable next month, after wages have been increased, it's difficult to imagine any one cutting off any steel orders in June.

• **Sidelights**—Last week's AISI meeting brought two other developments:

• Fairless was named president of the Institute, the first time the job has been filled since the retirement of Walter Tower several years ago. In filling this unpaid job, Fairless will continue as a director of U.S. Steel.

• Grace asserted that if the Bethlehem-Youngstown Sheet & Tube merger takes place—in spite of opposition by the Justice Dept.—the resulting company will add 3-million tons of steelmaking capacity. To some observers, it sounded as if Grace were trying to put the Justice Dept. in the position of denying the country an additional 3-million tons of capacity.

New Rules for Proxy Fights

They're in the making as a Senate committee opens hearings on the Montgomery Ward and other battles. But the committee may not have recommendations till next year.

Proxy fights came under formal Congressional scrutiny this week as a Senate Banking & Currency subcommittee opened a series of sporadic hearings on the broad subject of "corporate democracy."

This is Chmn. Herbert H. Lehman's own definition of the field laid out for his subcommittee. The hearings opened by listening to John A. Barr and Louis A. Wolfson, two rival principals in the just-concluded battle for control of Montgomery Ward & Co. (BW—May 21 '55, p34).

Ultimately, but probably not until 1956, the hearings will produce legislation aimed at altering Securities & Exchange Commission regulations affecting the conduct of proxy campaigns. The objective: full disclosure of identity of individuals and groups involved in "raids" on installed management.

• **Capehart Bill**—Technically, the hearings—in their proxy phase—center on S. 879, a bill by Sen. Homer Capehart, Indiana Republican, proposing to make more shareholders identify themselves through monthly reports to SEC.

To accomplish that, Capehart's bill would classify as an "insider" anyone owning 5% or more of the stock in any company listed on registered exchanges. Under present SEC definitions, insiders are officers, directors, and stockholders who have 10% or more of outstanding stock.

At the outset of the hearings, Capehart conceded his bill is inadequate, that the 5% figure is too large. A better breaking point, Capehart suggested, might be 1% or even one-half of 1%—or perhaps some dollar figure.

Capehart said his only aim is full disclosure of owners' identity—"Frankly, I'd like to find some way to force identification of ownership of every share." Presumably, though this point was not developed, he would not attempt to enforce against fractional shareholders the same prohibitions against short-term stock profits that now apply to officers, directors, and other "insiders."

• **Other Worlds**—Beyond the horizon—with hearings lasting into the fall and, possibly, next year—lie explorations into these related subjects:

• A bill by Sen. J. William Fulbright (S. 2054) to apply to over-the-counter market operations the same SEC criteria as for listed stocks.

• The question of applying some regulation to the rash of "penny stocks," largely uranium shares.

• **Ward Management's Side**—Barr said "the most significant thing" about the Ward proxy fight was, and is, that Wolfson never identified his backers—who hold more than 700,000 Ward shares, some \$50-million worth.

Wolfson offered last December to go before SEC and, under oath, identify the holders and their number of shares. But this was never done, Barr said, "because apparently no machinery exists for such."

Barr also said:

• Ward's management, then headed by aging Sewell Avery, spent about \$766,000 defending itself against Wolfson's bid for control. This cost will be borne by the company.

• SEC set itself up as a "censor" by prohibiting inclusion in Ward's proxy mailings of certain statements about the Wolfson group that had been contained in the company's annual report.

• Full disclosure of identity of raiding parties must be established.

• The Capehart bill would have had no effect, because no individual stockholder in Ward owns more than 1% of the shares.

• **Wolfson's Side**—Wolfson came armed with more specific recommendations than Barr. They included these:

• SEC should publish an understandable set of regulations concerning what is permissible to distribute to shareholders in a proxy solicitation.

• Initial proxy mailings should be released from both sides simultaneously.

• Annual reports of companies should be subject to SEC review for propriety when there is a proxy contest.

• In contests, SEC should require a full individual history of every nominee for director of a public-owned company.

• Any bona fide stockholder should be entitled to a complete, current stockholder list on request.

• **Disclosure**—One big problem, which initial testimony served only to point up, is how to "identify" the beneficial owners of shares held by agents or trustees, such as brokers and banks. Capehart said some way must be found to spotlight the ownership in these cases.



RACERS swing up to the pits at the edge of brick-paved Indianapolis Speedway.



FAMED DRIVER, Bill Vukovich, speaks last word to sponsor Lindsey Hopkins before he drives to death.

Death and Discovery At "Indy" Speedway

Lindsey Hopkins, board chairman of Miami's Security Trust Co., stepped back from the mechanics' pits, pulled a cigarette from the pocket of his blue, grease-stained work shirt, and lit it. He was grinning gleefully. The Memorial Day Indianapolis 500-mile speedway race was in the 56th of its 200 laps and Hopkins' crack driver, Bill Vukovich, had just regained the lead.

Hopkins' pale blue Hopkins Special sounded engine-perfect as it roared past the pits. The mechanics flashed an "O.K." sign to the driver. Other cars were already pulling out of the

race, but the Hopkins Special was ripping along in better-than-good form.

Hopkins puffed happily at his cigarette. He said: "Yes, I own the car myself. It's quite apart from the investment company. I wouldn't dare call it the 'Security Trust Special,' would I?"

• **Flames in the Distance**—He squinted along the track as the Hopkins Special went around the curve into the back stretch. The light blue car took the curve tightly, Vukovich hunched over the wheel. Then it went out of view. Vukovich wasn't seen alive again. In-



"BACK IN THE LEAD—He's got them now," was advice Hopkins (left) got from team mechanic. But seconds away was . . .



BLAZING DEATH for Vukovich. Beneath the wreck of the Hopkins

"INDY 500" starts on page 29

creasing his lead and moving at 136 mph., Vukovich encountered four stymied cars scattered across his track. There was no way for him to weave through them. The Hopkins Special hit one racer, reared up, bounced over another, hit the rail, and landed outside the track, upside down and in flames. Vukovich was burned to death before the car could be turned right side up.

• **Bitter Average**—With Vukovich dead and one other driver badly injured, the casualty list for this year's Indianapolis 500 was above average but not far above. In the 39 annual 500-mile races that the Indianapolis Motor Speedway Corp. has run since

1911, there has been an average of one driver killed each year.

I. A Purpose for Danger?

In June each year, when quiet returns for a while to the Indianapolis Speedway, sports writers probe the question of whether the 500-mile race speeds any technological advances in the automotive industry. Their answers vary from one writer to the next, depending on their sources of information.

Auto companies are definitely cool toward the races, look on them almost solely as opportunities for promotional work. All major auto makers have testing facilities of their own—laboratories

and test tracks. They don't enter cars in the races, and they don't sponsor any particular car. Usually, they do contribute to the funds for prize money.

But the auto parts and services people feel differently about the Indianapolis 500. They flock there, and they patronize other smaller races around the country, too. Most of the parts and services companies have only limited facilities for field testing their products. Some that do have large research establishments, where controlled tests can be run, still feel that there's value in tests where not all the variables are controlled.

• **Selling and Research**—This is the



Special, Vukovich was burned to death before the car could be raised upright.



HEARTBROKEN Hopkins, his driver dead, his car a total wreck, walks glumly away.

thinking that lies behind Firestone Tire & Rubber Co.'s annual operations at the Indianapolis 500. Through the qualifying heats and the race itself, Firestone does a land-office business selling tires for the racers, then mounting and servicing the tires. It spends big money to send crews of mechanics to the track, put on promotional stunts, and to set up special prizes for drivers who hold the lead at various laps of the race—if they are riding Firestone tires.

And, after the race, Firestone rents the track for three months. It buys back the tires used by the winning and the second-place drivers and sends them to its research laboratory in Akron for

inspection and dissection. At Indianapolis, it hires one of the racing drivers (for a salary reported to be around \$800 a month), plus a crew consisting of a doctor, a nurse, guards, and a select group of mechanics and technicians. The driver and mechanics put Firestone's newest products through field trials. The doctor and the nurse stand by—in case something gives way.

II. Sidelines Razzle-Dazzle

The biggest single spender at the Indianapolis 500 is usually the auto maker who gets the pace car nomination. It's the job of the pace car to lead the racers around the first lap,

and to do this the pace car must pass the end of the first lap at a speed of 90 mph. But there's a lot more involved. The pace car maker generally supplies fleets of his cars to move race contestants and officials around Indianapolis, sets up well-supplied suites at city hotels, and brings in a high-priced female entertainer (this year it was Dinah Shore) to add to publicity razzle-dazzle.

This year's pace car nomination went to General Motors' Chevrolet.

• **Millions—and Secrets**—Over-all, millions of dollars are poured into the Memorial Day race at the Indianapolis Speedway, which is owned by Anton Hulman, Jr. Hulman bought the track

in late 1945 for about \$750,000.

His best-kept secret as far as the speedway is concerned is the attendance and gate receipts figure. General admission is \$3 and seats run from \$5.50 for bleachers to \$30 for penthouse grandstand seats.

But there are other secrets in the background, too. Chief among them stems from the charge that a few companies like Firestone and Champion Spark Plug Co. have tied up business at the track. Champion's plugs were fitted to all cars in the 1954 and 1955 races. It has been several years since any of the Indianapolis racers ran on tires other than Firestone's. And when the Novi Special, built by Novi Equipment Co., Novi, Mich., cracked up in the qualifying runs, it turned out that all other cars in this year's race had engines built by Meyer & Drake Engineering Corp. of Los Angeles (run by two engineers who bought out the makers of the famous Offenhauser engine).

There's also a small mystery behind the selection of Chevrolet as supplier of this year's pace car. According to many pre-race reports, Packard was supposed to have been selected this year. But, at the race, a Chevrolet man explained: "We buttered up old Wilbur Shaw (president of the Indianapolis Speedway until his death earlier this year) at the Soap Box Derby this year." Shaw for many years refereed the Soap Box Derby—and that race is sponsored by Chevrolet.

• **Turbines Ahead**—Most of the race-car owners are sportsmen who are either independently wealthy or who have sponsors willing to trade \$300 to \$1,500 to have their name on the side of the car. No large companies have entered a car for several years.

In three or four years, gas turbine-powered cars may be racing. Firestone has had one gas turbine car built. Its engine was made by Boeing Airplane Co. But so far, Firestone has not been able to find a sufficiently powerful braking system for the car. The company reports that Bendix Aviation Corp. is now building a brake, and it's thought to be similar to the brakes used on jet aircraft.

Several cars in this year's race were entered by companies not connected with the auto business. One of these, driven by Bob Sweikert, won the race. It was the Zink Special, entered by John Zink Co., Tulsa, a home air conditioner manufacturer.

But whoever takes part in the Indianapolis 500, it's an expensive business. The specially built car alone generally costs around \$30,000. And by the time travel expenses and salaries for a team of gifted mechanics and a driver have been paid, total cost is likely to run to \$75,000.

Desegregation: Slow, Sure

This week's Supreme Court ruling, aimed at speeding up integration of Negro and white public schools, puts burden of enforcement on local federal courts.

Last Tuesday, the U.S. Supreme Court ordered lower federal courts to handle the problems by desegregating schools in their areas "with all deliberate speed." The unanimous decision of the court sets no time limit by which states must abolish segregated schools, but it does direct the federal courts to require local school boards to "make a prompt and reasonable start toward full compliance" with the court's 1954 decision.

The order came a year and two weeks to the day after the same court had ruled that segregation in public schools was unconstitutional. At that time, the court called for further arguments and asked interested parties to submit answers to two questions:

- Whether the court should order "forthwith" admission of Negro children to schools of their choice, or whether the court could "permit a gradual adjustment."

- Whether the Supreme Court should implement its decision, appoint a special master, or remand the cases to lower courts.

- **Local Problem**—For four days, starting Apr. 11, 1955, the court heard arguments on the questions from attorneys representing 10 states and the District of Columbia and from counsel for the Negroes in the five cases before it.

The final ruling pretty much puts it up to the individual states to achieve desegregation as fast as local problems permit.

Chief Justice Earl Warren said that in his opinion substantial steps to eliminate segregation in public schools already have been taken in a large number of states. He also said that the courts that heard the cases involved, because of their proximity to local conditions, could best carry out the requirements of last year's decision that found segregation unconstitutional. The specific cases involved the states of Kansas, South Carolina, Virginia, Delaware, and the District of Columbia.

- **Machinery**—The big question is, what happens next?

There's a lot of judicial and legal machinery that has to turn—and turn as fast or as slowly as the local court with jurisdiction chooses to make it turn—before integration can be ordered in the states below the Mason & Dixon line, which is where the big controversy still lies.

In the Deep South, the question remains with the Federal District judge—in almost every case a traditional Southerner. As the Supreme Court laid it out this week, it's up to this judge to decide whether the local officials are making "a prompt and reasonable start toward full compliance" with last year's rulings; if not, what orders "are necessary and proper to admit to public schools . . . with all deliberate speed" the Negro students involved in the cases.

- **Procedure**—These cases are natural for the built-in slowdown procedure that is automatically available to any court system. It will take months maybe for some district courts to come up with a finding as to whether integration plans of state officials and school districts comply with the court's order. School officials will have to submit their plans to the three-man District Courts and defend them in court before attorneys for the Negro students. Then the court can take time to make up its mind whether the state's action meets the test. Then it will hand down its ruling.

If the Negroes feel they didn't get a fair shake, they must first apply to the District Court judge for a change in his ruling. If this plea for change is not accepted, they can appeal to the Supreme Court. Then it becomes a question of whether the District Court judges have correctly decided whether the state's actions toward integration meet the tests laid down in this week's decision.

This can only be determined by the Supreme Court.

- **How Fast?**—Basically, the situation seems to mean that states that choose to comply with the integration decision can go ahead at different speeds as long as they actually are moving ahead as fast as conditions permit. Those that choose to fight integration to the last ditch can put that last ditch many, many months away.

The National Assn. for the Advancement of Colored People has asked the court to set a deadline: that integration be effective no later than the beginning of the school year in 1956.

Many states are sure to meet that deadline. On the other hand, the deepest of the Deep South can take longer while those states figure what they really want their final pattern of public education to be.



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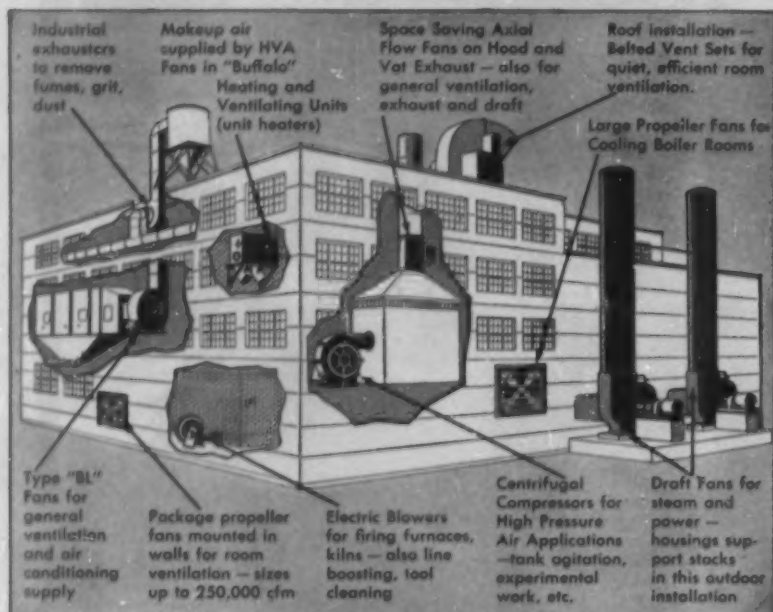
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Above are just a few of the ways in which "Buffalo" fans help a plant to breathe. There's a fan in this complete line for any job you may have for air. And it's well to remember that all makes of fans are *not* alike. There's a great deal to the science of making a fan that will give you permanently good performance. From our 78 years, we know what's practical and what isn't — what must go into a fan. We call it the "Q" Factor® — the "extra" that makes the user glad he specified "Buffalo".

*The "Q" Factor — the built-in Quality which provides trouble-free satisfaction and long life.

BUSINESS BRIEFS

More aluminum is in sight if Pittsburgh Consolidation Coal Co. and St. Joseph Lead Co. go through with plans to build a coal-powered, 66,000-ton-a-year plant. The two companies have asked Office of Defense Mobilization for five-year amortization of the estimated \$85-million cost.

ICC rulings: The Boston & Maine proxy fight did not produce any violations of its rules, the Interstate Commerce Commission says (BW-Apr. 2 '55, p. 32). The commission is investigating possible control of the Boston & Maine by the New York, New Haven & Hartford. . . . ICC has repeated its earlier order that Alleghany Corp. is under its wing rather than that of the SEC (BW-Mar. 12 '55, p. 74).

Ford Motor Co. for the first nine months of 1954 paid a \$6 a share dividend on its Class A stock, the Ford Foundation reports. This brought the foundation nearly \$46.4-million on its non-voting stock, to which was added an extra payment at the year-end, amount not specified.

Economic indicators from here and there: The Commerce Dept. says U. S. commercial exports in April fell 10% from the year before figure, to \$1,133-million. However, the department added that adjustment for "outside" factors actually put this April ahead by 2%. . . . Industry sources report that furniture makers' new orders in April were off 18% from March, rather more than the normal seasonal drop.

"Windfall profiteers" may have a tough time getting further Federal Housing Administration loans. That's the essence of a federal district court ruling that FHA can refuse to guarantee loans for applicants with a record of past irregularities. Builders had protested that FHA refusal would amount to a blacklist.

Louisiana-Michigan pipeline for natural gas has cleared another legal hurdle. The Supreme Court rejected the efforts of Panhandle Eastern Pipe Line Co. to block construction of the \$130-million pipeline by the American Louisiana Pipe Line Co. on the grounds it would cut into Panhandle's markets.

It's official that the Santa Fe railway has bought 82% of the stock of the Toledo, Peoria & Western RR for just under \$10-million. The deal is subject to ICC approval, and there are reports that it will be opposed by other railroad interests.

See what adhesives are doing today!



Sealing trailers at the seams

When you consider the amount of weathering to which a house trailer is exposed in the course of its service, you can appreciate the importance of effective, all-around sealing.

Finding a seal to keep out dust, weather and noise used to present a real problem. But it doesn't any longer—thanks to 3M's new ribbon-like sealer, EC-1202. Made of synthetic rubber, EC-1202 is extremely flexible and easy to handle. And it's reinforced with sturdy fabric so that it holds its dimensions and is exceptionally easy to apply.

On trailers, like the one pictured above,

EC-1202 is used to seal metal corners and edges. Next, an extruded aluminum corner is bolted over it for extra protection, to provide a complete seal against weathering of all sorts.

See what adhesives can do for you . . .

You can use EC-1202 wherever metal corners, edges, or laying surfaces need sealing. Your 3M sales engineer will give you all the facts on this and the many other adhesives developed for industry. Call him, or write today for a free informative booklet—to 3M, Department 16, 417 Piquette Avenue, Detroit 2, Michigan.



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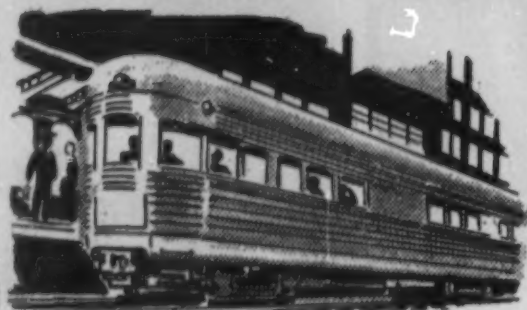
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NO MOVING JOB IMPOSSIBLE!

STEEP RAMPS, LONG HAULS, HEAVY LOADS... NO JOB IS IMPOSSIBLE WHEN ELECTRIC TRUCKS ARE POWERED WITH IRONCLADS. EXIDE MAKES BATTERIES WITH ADEQUATE CAPACITIES TO KEEP TRUCKS WORKING FULL-SHIFT...WITH NO LET-DOWN IN TRUCK POWER OR PERFORMANCE. USER COST RECORDS SHOW THAT EXIDE-IRONCLADS ARE YOUR BEST POWER BUY—AT ANY PRICE!



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EXIDE-IRONCLAD BATTERIES KEEP PASSENGER CAR LIGHTS BRIGHT AND STEADY...KEEP CARS COMFORTABLY AIR CONDITIONED EVEN DURING LONG STOPS.

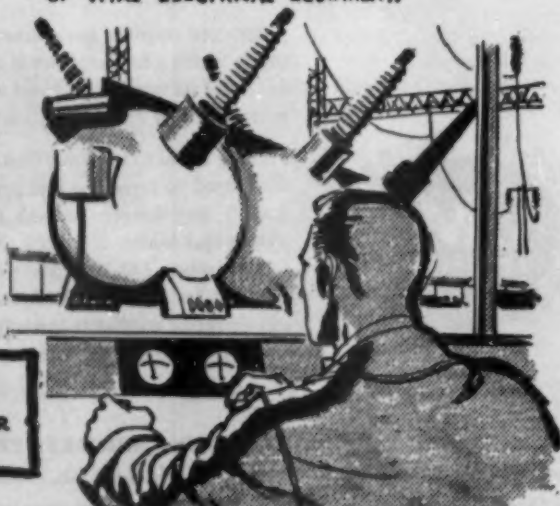
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EXIDE INTRODUCES THE NEW EH EXIDE-IRONCLAD CAR LIGHTING AND AIR CONDITIONING BATTERY! IT SETS NEW STANDARDS FOR RAILWAY PERFORMANCE—GIVES FULL RATED POWER INITIALLY—FULL RATED POWER FOR A LONGER WORKING LIFE. WRITE FOR SPECIFICATIONS.

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THE GIANT-SIZED CIRCUIT BREAKERS REQUIRED TO CONTROL AMERICA'S TREMENDOUS, GROWING UTILITY POWER LOAD ARE BOTH TESTED AND OPERATED WITH DEPENDABLE EXIDE BATTERIES. EXIDE MAKES MANY BATTERIES FOR MANY INDUSTRIES...TO GUARANTEE INSTANT, POSITIVE OPERATION OF VITAL ELECTRICAL EQUIPMENT.



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WASHINGTON OUTLOOK

WASHINGTON
BUREAU
JUNE 4, 1955



A tax cut next year still looks like a good bet, barring war.

Eisenhower himself wants a balanced budget first. He reiterated this stand at his weekly press conference. His fiscal advisers aren't sure of a balance any time soon. But they don't rule out tax cuts, either.

There's politics to be considered. The Democratic fight to cut taxes this year was "for the record"—wasn't pushed all out. It will be different in 1956, when the tax vote will come ahead of the general elections. Democrats will be playing for keeps then. And Eisenhower will be under heavy pressure from his own party to take the lead and get the credit for cuts.

A rise in the deficit may well be ahead. The figuring for this fiscal year, the 12 months ending June 30, is that red ink will be held to \$4.5-billion. For the next year, fiscal 1956, a \$2.4-billion deficit had been predicted. But things are happening that were not counted on at the time the budget estimates were made. They may tend to push deficit calculations higher, despite the revenue rise flowing out of the business boom.

Take the decision to push production of B-52 bombers—a reaction to the surprise Russia handed us with the air power it "elected to expose."

The cost will be around \$300-million in fiscal 1956—that much added on to the estimated deficit. And it may run higher. Now that Russia has a fast, long-range bomber, military men say radar defense should be accelerated—the warning system—and we should have more interceptor aircraft. So the speedup may run on into more money, and more deficit. There's a possibility that Senate Democrats will write into the Air Force appropriation a billion or so more than Eisenhower asked for. Idea is that if the President fails to spend it, a political issue can be made.

The impact will go beyond next year, beyond fiscal 1956. Officials stress that the stepup in appropriations for B-52s results only from a shortening of delivery time and that total spending for these planes, on balance, isn't being increased. But there are other weapons in the development stage coming behind the B-52s. Delivery time will be shortened on them, too. So the real result probably will be a net rise above planned spending.

More spending for arms research and development is highly probable, now that the Administration has revised its earlier estimate of Russia's scientific, engineering, and production capabilities. The latest report of the Hoover Commission, which usually criticizes government for doing too much, complained that research isn't being pushed fast enough.

Public works may also be a bigger deficit-maker next year. Eisenhower had counted on financing the big highway program and most of his school construction plan outside the federal debt. The idea was to build now, and show the cost on a sort of annual depreciation basis.

The Democratic Congress is balking on the accounting. The Senate smacked down the highway scheme. And the House, while more inclined to Eisenhower's plan, may end up by following the Senate. If it comes out that way, the bigger spending for roads will make budget balancing harder than ever.

And the school issue is still to be tackled.

WASHINGTON OUTLOOK (Continued)

WASHINGTON
BUREAU
JUNE 4, 1953

There's politics in this, of course. The Democrats, highly sensitive to GOP charges of extravagance, aren't going to do anything to help out Eisenhower on his budget-balancing commitment. They remember that in the days of Roosevelt and Truman any suggestion of capital accounting met quick Republican opposition.

—•—

A Salk vaccine control law is probable, on a "stand-by" basis.

Eisenhower doesn't want a control statute. He has said so from the start. He figures that the job can be handled privately—by the manufacturers, the doctors, and the polio foundation—with the government taking an active hand only on safety and hardship cases.

But the Democrats want Washington responsible for the distribution. That way, if a black market does develop and investigations show that vaccine was diverted from children, then Eisenhower will be blamed.

—•—

The proposed hike in the minimum wage looks more likely. Recent moves that favor a boost:

House Labor Committee will consider the issue. Rep. Graham Barden (D-N. C.), committee chairman, has been forced to agree to hearings.

Expansion of coverage has been ruled out as a part of the wage rate bill. Eisenhower wants it. But he won't insist that it be considered as a part of the rate bill. In fact, the Administration has declined to advise Congress on how far coverage should be extended. With this issue removed, Congress may vote a minimum of \$1 or more against Eisenhower's 90¢.

—•—

Washington is laying off Detroit's GAW dispute. Mediation is available, of course, as it always is in disputes. But the White House is taking no part. Eisenhower's position, known since before the campaign days, is that the executive branch should not get mixed up in bargaining.

—•—

No stand-by wage and price controls are in sight—even though the Office of Defense Mobilization wants them so that an immediate freeze could be ordered if war hit suddenly.

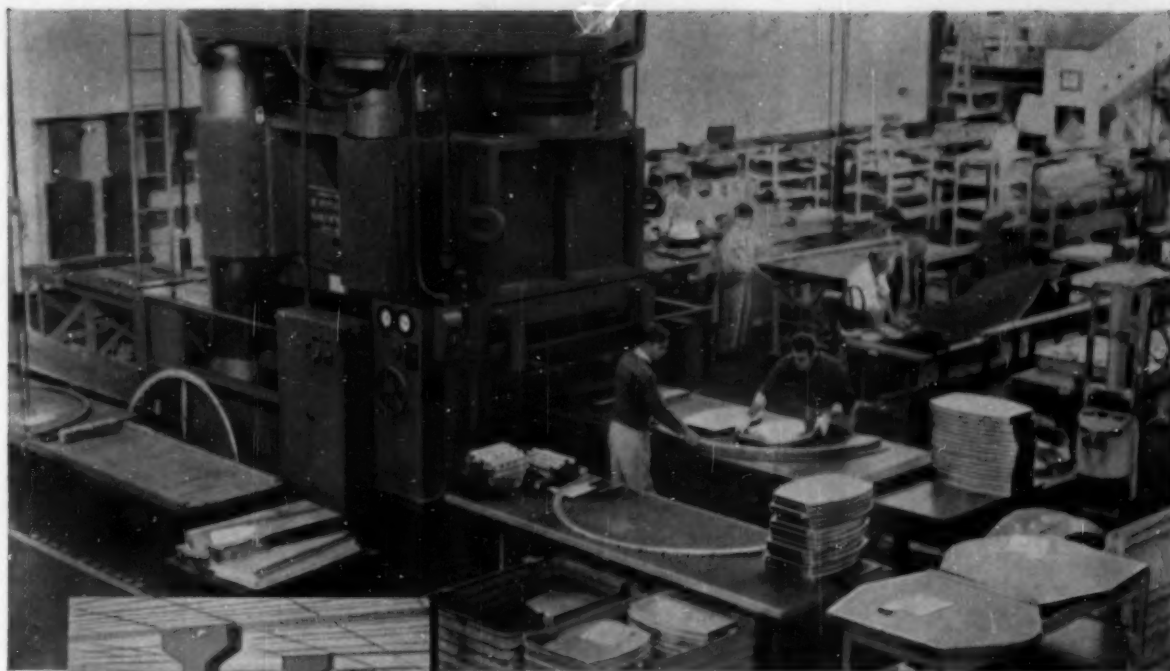
Eisenhower is against enactment at this time. He sees the advantage of having such powers on the books. But he recognizes the fear that the powers might be misused. His attitude is that in event of an emergency Congress could act swiftly. Thus he sees no need for stand-by power.

—•—

Talk of adjourning Congress is on the rise. Leaders of both parties mention early August. It's a target that can be hit, by allowing many of the secondary legislative proposals to carry over. A point to remember is that bills unfinished this term won't have to start anew next year. And the record Democrats and Republicans fight on will be written next year.

—•—

Congress will kibitz on the Big Four talks. That makes a real problem for Eisenhower, when U.S., British, French, and U.S.S.R. heads of state meet next month. But there's no White House pressure to get the legislators out of town ahead of time. And it may well mean a more open conference, as contrasted with the secrecy at Yalta and Potsdam.



Pittsburgh COLOR DYNAMICS® increases productive efficiency in famous aircraft plant

Properly engineered
color plan throughout plants
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provides better working
conditions that increase
quality and quantity
of output and improve spirit
and enthusiasm of workers.

BETTER seeing conditions increase productive efficiency. More pleasing work areas improve the spirits and enthusiasm of supervisory and hourly personnel alike! These are the benefits resulting from the use of Pittsburgh COLOR DYNAMICS in The Martin Company, Baltimore, Maryland, world-famous pioneer of the aviation industry.

These huge factories, with five million square feet of floor space, produce many types of military aircraft as well as tactical missiles, rockets and numerous other items for the armed services.

The new color plan for these plants was carefully chosen according to the principles of COLOR DYNAMICS.

Colors were selected for interior walls and ceilings to raise the light level in all working areas. Stationary as well as moving parts of machines were given colors that permit the operator to focus his attention on his task with

less eye strain. Safety colors on motorized equipment and traffic lanes have reduced danger of time-loss accidents.

The Martin Company's satisfaction with COLOR DYNAMICS is best summarized by G. T. Willey, Vice-President in charge of manufacturing:

"We believe we have successfully attained our objectives with COLOR DYNAMICS. Both quality and quantity of our output have increased. The improved surroundings have raised morale among our working force. The pride our employees take in their environment is reflected in their eagerness to keep work areas clean, thus simplifying housekeeping.

"The colorless and uninspiring whites and grays we had collected dirt easily. We believe our present colors will cost us less to maintain. Thus the additional benefits we derive from COLOR DYNAMICS are a highly gratifying plus value."

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● Send for our free book which explains simply and clearly what COLOR DYNAMICS is and how to apply its principles. It contains scores of practical ideas. Better still, call your nearest Pittsburgh Plate

Glass Company branch and ask to have a representative make a comprehensive engineered color study of your plant—without cost or obligation. Or mail this coupon.

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☐ Please send me a FREE copy of your booklet "COLOR DYNAMICS."

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Announcing the Remington Rand UNIVAC FILE-COMPUTER... a medium-size data-processing system

The speed of electrons...the memory of magnetism...and over fifty years' experience in business records and control...all these have been built into the Univac File-Computer.

Here's building-block flexibility that adapts to practically *any* situation—an electronic brain with common-language input-output for application

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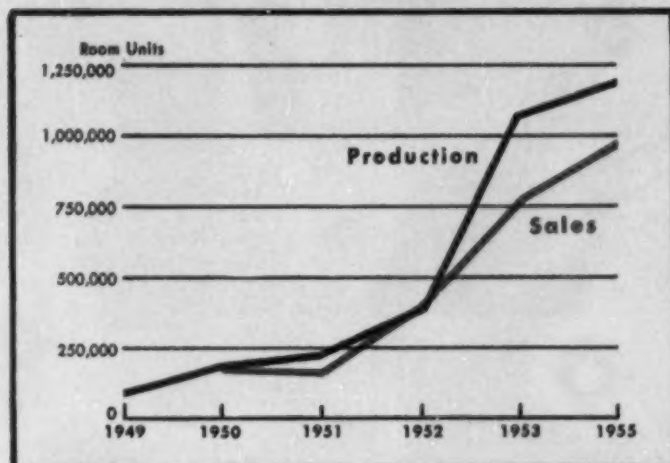
Here's the truly automatic office *your* top management should know about. For this newest Univac can bring you lower costs, increased production, better customer service and freedom from supervisory routines. Remington Rand will gladly call to show you *how* and *where*.

MARKETING

AIR CONDITIONERS

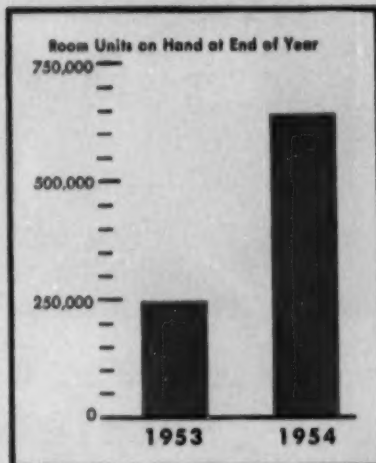
The Problem:

Sales have lagged behind production . . .



Data: Electrical Merchandising Estimates.

. . . Leaving inventories like this



©BUSINESS WEEK

How Will This Year Be?

The wave of unseasonably hot and humid weather that afflicted a large portion of the country last week was a blessing to at least one major U.S. industry. The makers and sellers of room air-conditioners watched happily while sales took a little spurt upwards and hoped that May's heat wave was just the foretaste of a nice, hot, uncomfortable summer.

At the same time, there was a nagging worry under their optimism. Would the new, volatile industry suffer the same kind of whack on the head that it got last year?

The table above shows why the industry worries. Over-all, of course, air conditioning has a future just about as bright as that of any industry in the country. Coming from nowhere a few short years ago, it has leaped ahead yearly, and there's every indication it should keep on leaping ahead. By last year, as *Electrical Merchandising*, a McGraw-Hill publication, recently pointed out, it had a dollar volume at retail (in the neighborhood of \$400-million) only exceeded in the appliance industry by refrigerators, TV sets, and washers.

• **Blue Skies**—There's no sign of a setback that could begin to affect the in-

dustry as the TV industry was affected several years ago when the bottom simply dropped out of sales. There's a good chance that this year total sales of room air-conditioner units will come to 1.1-million, a gain of some 25% over last year. This is the estimate made by Cloud Wampler, president of Carrier Corp., early this year and reaffirmed by him last week. His conviction is strengthened by the fact that the industry already has under its belt a record first quarter.

Salvatore Giordano, president of Fedders-Quigan Corp., puts the figure at 1.2-million units.

Wampler also foresees sales of some 150,000 central air-conditioning units for residential installation—which would be a gain of 100% or so over last year. Here Wampler has upped the ante by some 25,000 from his earlier guess this year.

Undoubtedly the industry will hit a record this year if—there's always an important "if" about air conditioning. It's the temperature.

• **The Oracle**—Probably no major industry in economic history has ever been so dependent on a change of a degree or two in the temperature as the air-conditioning business. Among

seasonal industries, it is seasonal with a vengeance.

Last year we had a cool summer. The industry, which depends on weather forecasters as did the Greeks on the Delphic oracle, was gambling on a hot summer. In general, it looked for retail sales of from 1.3-million to 1.5-million, though some guessed as high as 2-million. Actual production came to 1.2-million, retail sales to 850,000 at the most. The carryover at the end of the year with everything thrown in—the stuff still unsold from 1953, the unsold units from 1954, and the forward production, or what there was of it, for 1955—came to perhaps 700,000 (BW—Nov. 6 '54, p. 29).

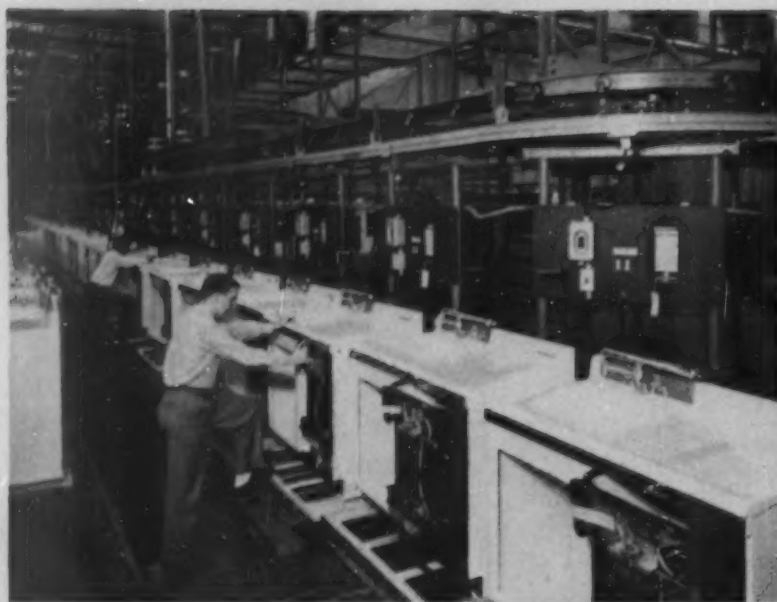
One thing this did achieve was somewhat more modest estimates for 1955.

But how about the actual state of the industry, as of now?

I. Feast or Famine

The state of the industry is better than you might suppose—for a reason.

Come September, 1954, when production for next season was riding high, the industry virtually closed up shop. Observers say that only two or three producers kept their production



Dishwasher-sinks get complete cycle test while moving steadily toward the customer

Time lost on the production line is money lost on the balance sheet. The MHS installation shown above *saves* time and money by accomplishing a complete cycle test for every dishwasher without stopping or slowing down the line.

Dishwasher-sinks ride a slat conveyor. The Monoveyor loop at rear travels at the same speed, carries test panels with electrical, water and drain connections. Hooked to its own panel, every appliance undergoes a complete test, through all its operations, while moving.

Mechanical Handling Systems designed, engineered and built this testing installation for one of the nation's largest appliance firms. It's one of many MHS production systems which are helping manufacturers produce better products for less money for the American people.

For most expert help in conveyors, systems, automatic handling and automation, call in the MHS engineer.

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lines going, and it has only been very recently that the industry as a whole has gone back into production.

Meanwhile, price-cutting at retail has been endemic. Between this and the shutdown, the inventory glut has disappeared. In fact, it looks to some as though there are now fewer units on hand than there were at the start of the 1954 season.

• **Shortages?**—Giordano is one who sees a possible shortage and deplors the price-cutting—which he says is still going on despite low inventories. Mitchell Mfg. Co. also thinks that shortages are on the way. An executive of still another big company, watching the thermometer creep up last week, said, "I'm going somewhere to hide next week."

That's the kind of industry it is. As soon as the customers start to sizzle, complains one observer, "they pile into stores waving certificates from doctors saying they have to have air conditioning for their health."

II. What's Wrong

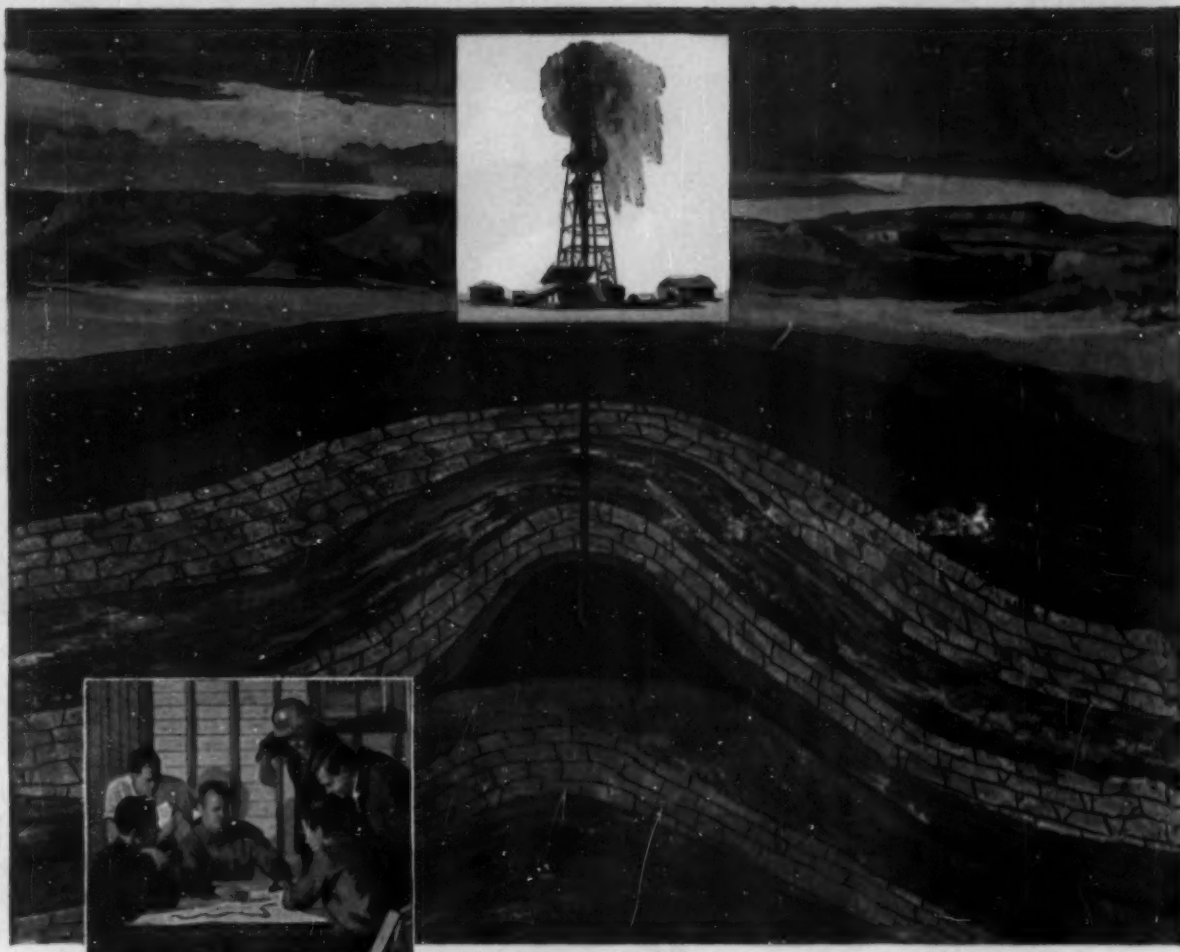
Air conditioning, from the standpoint of the people in it, has just about everything wrong that an industry can have and still be a boom industry.

For the nation as a whole, almost 65% of room air conditioners are sold in June, July, and August. Sales by regions show an even greater concentration in many areas than these nationwide figures. For example, in the northern and central parts of the U.S., almost all the sales are made during the few weeks of intense heat.

• **Resistance**—Consciously or no, dealers still hesitate to accept the air conditioner as a major appliance. Dealers view their inventories with uneasy concern, hoping for a protracted heat wave. If the heat wave fails to materialize or arrives late in the season, prices are drastically cut to get the stock moving. If and when the heat wave does come, a landslide business can exhaust stocks in 10 days. There's a twofold loss—from early season price-cutting, then from short supply.

Again, because of the short selling season, manufacturers and wholesalers urge every kind of store in addition to appliance outlets—electrical, plumbing, furniture, luggage, typewriter, auto parts, radio and TV—to carry air conditioners. The industry feels that price-cutting, low profits, and substandard installation and service is a consequence of this indiscriminate choice of dealers.

So serious has the price-cutting question become that a dealer group in New York City has organized an Air Conditioning Sales & Service Dealer Organization. According to this group, air conditioners are marketed at only \$10 to \$15 above wholesale prices even



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Crude oil spouting from the earth is the fabulous fountain that has put this nation on wheels and wings. Oil has made millions of homes and buildings more comfortable and, through the "magic" of petrochemistry, hundreds of new products have been created, ranging from fabrics to formaldehyde.

Modern, advanced refining methods are producing the most powerful gasolines ever offered, to fuel America's 47 million cars. The airlines' planes and the railroads' diesels depend on this same petroleum for their tremendous power. And the comparatively recent mating of oil and chemistry in the laboratory has opened up a vast new area of product possibilities for all America.

The rocketing importance of oil to so many major segments of the nation's economy makes finding new reserves to be tapped an unending, expensive job. And it is to the industry's credit that it is reinvesting—year after year—so much of its own money in exploration,

research and expansion—determined to be ready to meet a market for petroleum fuels that is expected to climb to an awesome \$32 billion annually by 1975.

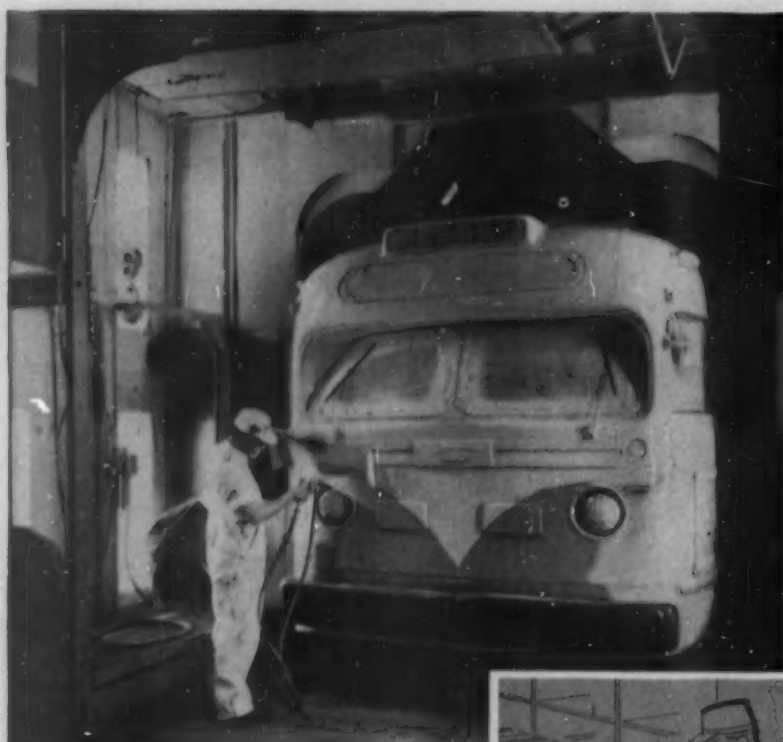
The petroleum industry always has depended on steam for power, heating and processing. And steam's versatility was most recently demonstrated when several major refineries contracted with B&W to build special Carbon Monoxide boilers to convert waste gases into useful power. B&W, working cooperatively with the oil companies, is providing efficient, economical steam throughout the petroleum industry—as it does throughout *all* U. S. industry. The Babcock & Wilcox Company, Boiler Division, 161 East 42nd Street, New York 17, N. Y.

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New, durable protection for hard-working transit buses... brilliant, lasting sales appeal for children's toys! Both are part of the complete range of Sherwin-Williams Maintenance and Product Finishes serving industry.

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Paints for every industrial need

in times of shortages, at a gross of only 3% of sales.

• **Remedies**—In an effort to cure some of these ills and to flatten out the sales curve over more of the year, the industry recently has been using various devices to get dealers to stock up during the slack season. Many of them give discounts to dealers who take early shipment; the dealers in turn can offer a customer discount for spring purchase. But this practice has come in for some criticism. One marketing expert, P. Bernard Nortman, who has studied the industry for several years, makes this comment:

"Although these pre-season discounts will help spread the selling season somewhat, the effectiveness of a price incentive alone on a commodity marketed more as a luxury than a necessity is limited."

III. Sell Need

What, if anything, can be done about the basic selling pattern in the industry?

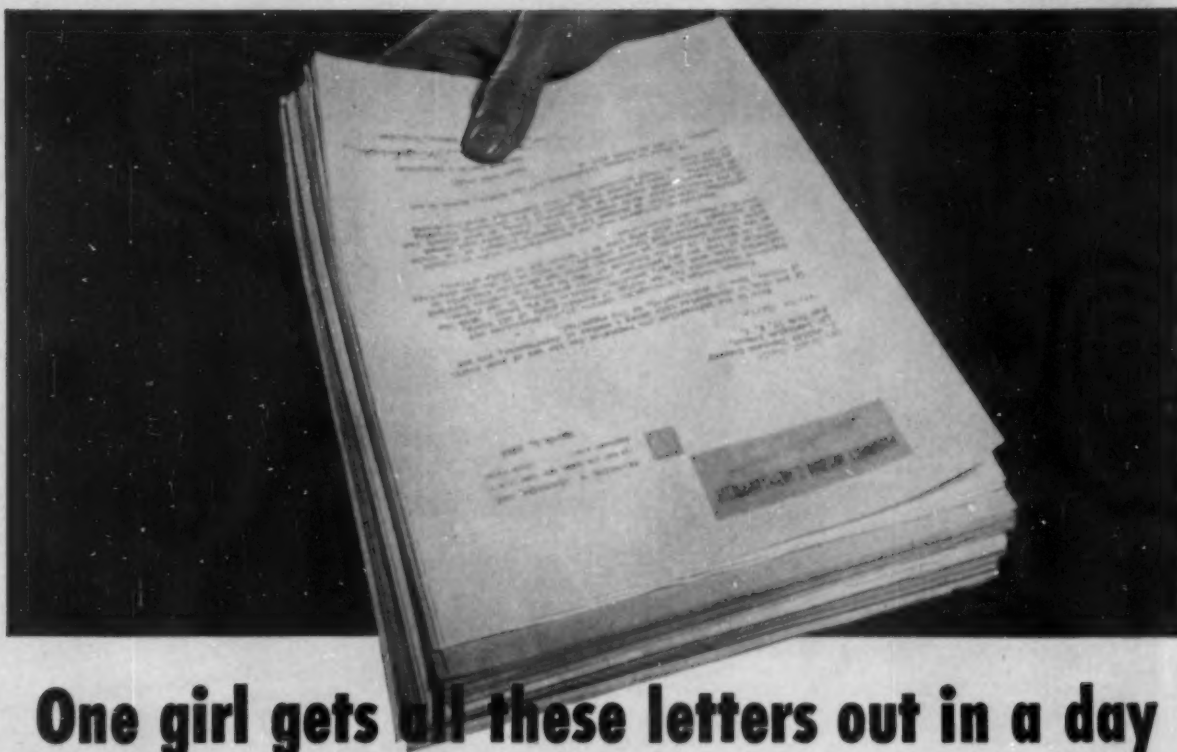
One suggestion is that the industry change its sales pitch. In general, makers have been playing up two themes: heat the heat—and price. Undoubtedly, beating the heat will always remain the major motive behind the purchase of air-conditioning equipment. But the industry has tended to ignore one of its trump cards, which is the benefits to health inherent in year-round air conditioning.

There are signs that the industry is finally awakening to the possibilities of the health theme. Both York Corp. and Philco Corp. recently took big ads to stress this idea. Central installation manufacturers have been more alert to the possibilities generally than the merchandiser of room air conditioners. In a day when air pollution is so much to the fore, the health sales angle has hardly been adequately tapped.

• **High Cards**—There are other themes that the industry could also plug, which might be bundled up under the heading of economic advantages: the avoidance of shrinking, cracking, and drying-out of furniture under adverse weather conditions; the reduction of cleaning and repair costs through elimination of dust and dirt; the lessening of redecoration costs.

The emphasis on price, Giordano, of Fedders-Quigan thinks, is actually hastening the departure from the industry of the many small operators who jumped on the bandwagon.

There has long been industry speculation about when this washout would occur. Will it finally be this year? Giordano thinks it will. At present prices, he says, only big volume can keep a producer going—which means that only the big producers can live.



One girl gets all these letters out in a day

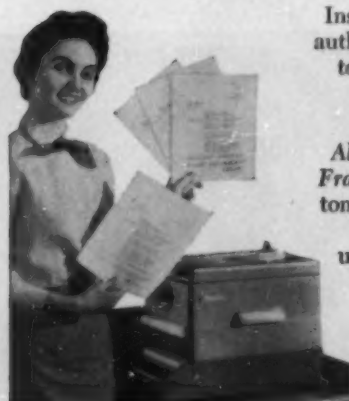
Fram Corporation eliminates retyping of sales inquiries by using a Kodak Verifax Copier . . . saves more than the copier's original \$240 cost every month!

Sales leads never turn cold at Fram, world-famous producer of oil, air, fuel, and water filters.

Every girl can turn out the work of two or more typists since the Verifax Copier came on the scene. Hours are no longer spent retyping and proofreading incoming correspondence for sales force follow-up.

Instead, Verifax copies—authentic from letterhead to signature—are made and sent out immediately.

All of which helps build Fram's sales . . . and customer good will, too. And this is only one of the uses they've discovered



3 photo-exact copies made in 1 minute for less than 4¢ each

for this completely different copier which makes 3 copies in 1 minute for less than 4¢ each.

How you can save now with Verifax copying

- ☐ You'll get copies of letters, office records, news clippings, etc. immediately.
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- ☐ You'll eliminate slow "one-copy" routing.
- ☐ You'll answer many letters by jotting your reply in the margin and mailing a Verifax copy back.
- ☐ You'll increase protection—important records can be copied right in your office.
- ☐ You'll eliminate transcription errors—Verifax copies are authentic from letterhead to signature.
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DOWN SHE GOES! Even the scared dealers have to learn how to take steep grades in their stride.



THE MIGHTY SCREW of a posthole digger gets awed scrutiny. Dealers must know how it—and other fancy equipment—works.



On a sprawling Michigan farm Kaiser-Willys is pounding an education on utility vehicles into the heads of its dealers. With its passenger car business down to the vanishing point, Willys has to sell its bread-and-butter line or die. So 80 dealers reported for a course that included plowing over rough terrain (left), sweating out of mudholes with winches (right). The more they know, the better they can sell.



Dealers Get Schooled The Hard Way

At 6 a.m. every day last week some 80 automobile dealers who had traded their order pads and prospect lists for liniment and suntan oil crawled out of their hotel beds in Ann Arbor and Ypsilanti, Mich., breakfasted, and headed for a rolling farm (pictures) on Big Silver Lake, 17 miles from Ann Arbor.

These were Kaiser-Willys dealers, up to their chins in a dawn-to-dusk, rain-or-shine dealer training school set up by Willys Motors, Inc., automotive subsidiary of Kaiser Motors Corp.

Many companies have training

courses. But few dealers get the kind of nuts-and-bolts going over these men got.

Their school uniforms: dungarees, heavy shoes, gloves, sun glasses, and work caps. Their classrooms: a corn crib, an old barn, a tent, an open field. Their curriculum: 39 different subjects on the operation, maintenance, and demonstration of the Willys line. Their tools: 79 Willys four-wheel-drive vehicles, Jeeps, station wagons, trucks, fire engines, ambulances, wreckers.

Some of the time they worked like any other students—at class lectures,

(Story Cont'd on p. 48)



BELLYWHOPPER, teacher and pupils get down under to see what goes on (above). In corncrib classroom (right), students take tests every day on what they've learned.



Whether you move materials from car to truck, from mine to tipple, or from point A to point B—a Barber-Greene Conveyor can do it faster and cheaper.



One-man way to move materials at high capacity

Here's low-cost performance. Designed for simple, one-man operation, this heavy-duty Barber-Greene Portable Conveyor handles over 450 tons per hour. Mounted on a heavy towing axle, this pneumatic-tired conveyor can be truck-towed anywhere from job to job.

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watching slides, taking exams. Most of the days they spent in the field, learning to drive, operate—and hence demonstrate—the workhorse products they sell.

• **There's a Reason**—The school is a vital component in the new marketing program that aims to get Kaiser-Willys afloat again. Since Kaiser and Willys merged (BW-Mar.28'53,p32), the company has seen trouble aplenty. It had a \$27-million loss in 1953, a \$35.4-million loss last year. That was when it decided to knock its already reeling passenger car business on the head, concentrate on its utility lines (BW-Dec.18'54,p26).

The company has not yet officially killed off its passenger cars for keeps. It turned out 500 Kaisers in April and in May—for export, where Kaiser-Willys is still strong. It stopped output of the Willys in April to make way for the Kaisers. The betting is that the Willys may die a natural death this summer.

Meanwhile the Jeep and the four-wheel drive lines have shown good strength. In the third and fourth quarters of last year, domestic sales of these lines were more than double the average for the first six months—and 1955 has been even better.

"That staying in the passenger car field was the most serious mistake this firm ever made," said a top company official. "If we had just concentrated in the past few years on our utility and commercial fields, and if we had dropped that Kaiser car, this corporation would be \$75-million better off today."

• **New Textbook**—Now the switch is in the works—but it takes some doing.

The dealers were a thoroughly demoralized lot. Further, they were essentially sellers of passenger cars. Many of the old ones didn't have the inside-out understanding of the commercial and utility cars that it takes to demonstrate them convincingly. What's more, since last November, Hickman Price Jr., vice-president in charge of sales, has added some 500 to the dealership (for a total of about 2,500). Some of the new ones knew nothing of the Jeep and its workings.

Price did several things. He set up an incentive system. He slanted advertising to trade magazines rather than to consumer publications—and slashed off huge sums from the advertising budget in doing so. Most of all, he set out "to break the dealers' thought pattern"—by way of a training school.

Price had tried such a setup in San Antonio for the export line January, 1954, in a rush deal to train personnel who took caravans of Jeeps all around the world. Last January, the company tried it on its home sales managers. And in May, it switched the program to Michigan and opened a school for



Fast solution to slowed production

*How Emery
cuts lost
production hours
for you*

The armature on a rotary scoop, operating at a mine in New Mexico, broke down. It could not be repaired locally. A new armature was located in Erie, Pennsylvania. But trucking would have taken four days for delivery and, even so, no charter was available. Meanwhile, stoppage was making 200 men idle and was costing the mine \$1,000 an hour. By combining air and truck transportation with the most efficient routing, Emery delivered the armature within 30 hours.

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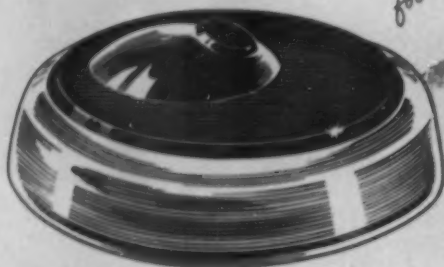
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Your regular dealer will be glad to let you try one of these fine Model 444, Self-Filling Desk Pens on your own desk for 30 days with the understanding you can return it for a full refund if you don't agree it's the best you've ever used.

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POINT FOR THE WAY
YOU WRITE...BY NUMBER

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dealers instead of its own people.

Walter Lorch, 30-year-old director of training, and 225-lb. Chris Cochrane, former Notre Dame football player and assistant sales training director, scoured Michigan for a likely site for their school. They wanted rugged surfaces, hills, gullies, rocks, swamps, water, and plenty of land for plowing and harrowing. They found all this on a farm, and promptly leased 270 acres from the owner.

• **Academic Standards**—Dealers are picked from all over the country east of the Rockies. Their week's grind starts off bang with a 20-page written exam—to show them how little they know. Average score is about 38%.

They have more than academic reason to improve their marks. If a dealer doesn't make 75% in his final exam, the company has the right to ask him to pay his way to the school. Normally, Kaiser-Willys pays travel to the school, plus \$6 a day for breakfast and dinner (lunch is a box affair, on the farm), and hotel bills. To get home, a dealer picks up a new vehicle at the Willys plant at Toledo, drives it home.

• **Curriculum**—The school offers three courses in driving, which get progressively difficult. By the time a dealer has finished, though, he can drive, get up a 60-degree grade, dig post-holes, winch out of mud hub-cap deep, and operate sprayers—to name just a few of his new skills.

Frequently dealers get scared when they have to take their vehicles down a rock-strewn slope or up an incline that would be impassable for the conventional auto. The instructors make them keep trying—even the most timid ones—till they make it. "Otherwise he thinks only expert drivers can take a Jeep up or down a steep incline," Cochrane explains.

This schedule leaves little time for horsplay. By the time they get back to their hotels, it is 7 p.m. or later. Then they bone up for the next day's exam. If a dealer does break loose for a little cutting up, his instructors are apt to catch him. "Then we bear down on him the next day at school," Cochrane says. "He seldom tries again."

Despite the rugged treatment, dealers are enthusiastic. This is the only way to learn the problems of selling specialized lines, they believe.

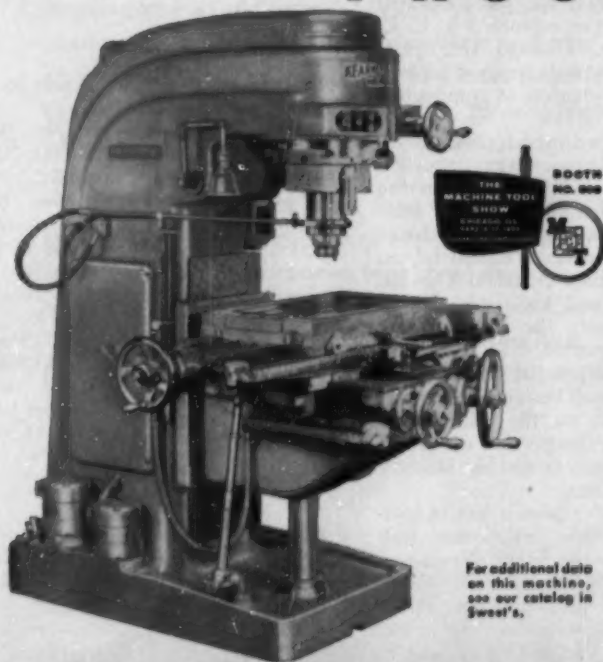
• **Payoff**—The course costs the company \$150 a dealer. So far, it has put over \$250,000 into it—and plans to open another school for Western states.

Why? Officials cite figures like this: U.S. shipments of the line in the first 1955 quarter were more than double the same 1954 period. The school has an important part in the big payoff, the company believes. For the first quarter of 1955, the company had a profit of \$1.2-million.

FOR RENT: one new machine. **COST:** only 44 cents per hour that's all you pay for this new Model 2D Rotary Head milling machine when put to work in your plant with...

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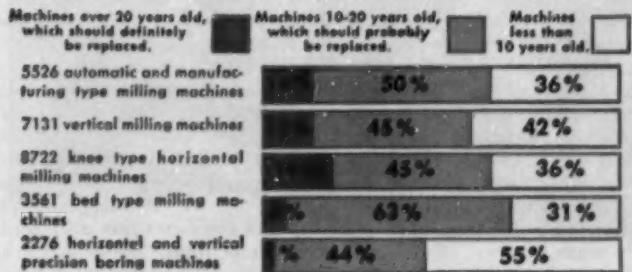
What's more, you benefit from Model 2D's many time-saving operating features. The Rotary Head design assures greater accuracy and savings because you can do precision boring, drilling, slotting and milling of circular and angular cuts in both horizontal and vertical planes — without changing the setup.

Under Tool-Lease you can rent any of over 250 different types and sizes of standard milling machines or precision boring machines. All are available under three basic plans, with varying options to continue or terminate the lease, or to purchase the equipment. If you require special machinery or heavy-duty CSM bed types, special agreements will be considered.

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Shipbuilding, Ordnance and Miscellaneous Industry — Includes machines for shipbuilding; forgings; foundry machine shops; die casting; pipe fabrication; ordnance, including atomic energy, small arms, guns, gun carriages, ammo, fuses, explosives, fire-control instruments, tanks; steam engines, turbines and waterwheels. Of the total 27,216 machines, 12% are over 20 years old and over 48% are 10-20 years old!



Figures adapted from 1953 American Machinist survey of Metalworking Industry.



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Good Faith Fails Again

FTC knocks down argument of meeting competition in "good faith"—except to meet specific lower prices . . . Department store profits brighter yet . . . Government indicts retailers for one gas price war.

The Federal Trade Commission again has refused to accept the argument of meeting competition in "good faith" as a defense to a charge of price discrimination under the Robinson-Patman Act.

FTC ruled that the price differentials granted certain customers by C. E. Niehoff & Co., Chicago auto parts maker, were not made in good faith to meet equally low prices of competitors (BW—May 28 '55, p. 34).

Companies have tried to take advantage of this defense ever since the Supreme Court in 1951 ruled, in the Standard Oil case, that it gave a company a complete defense to a charge of price discrimination. But so far, no company—not even Standard Oil—has successfully argued the point in an FTC case, despite the fact that the Republican-dominated FTC has indicated its approval of the Standard Oil decision. Pro-small business Democrats on Capitol Hill, on the other hand, have raised loud charges that use of the good faith defense favors big industry over the little man.

Niehoff, which makes a line of ignition parts, hydraulic brake parts, testing equipment, and other items, and sells them to independent jobbers, is the fourth auto parts manufacturer in recent weeks whose pricing system has been ruled unlawful and discriminatory by FTC.

Under its pricing system, Niehoff gave jobbers with purchases of less than \$1,200 a year a 2% cash discount; jobbers whose annual purchases were bigger received, in addition, discounts ranging from 5% to 17%. Commissioner Robert T. Secrest, who wrote the decision, held the effect of these differentials may be to injure competition among the competing jobber customers of Niehoff.

Secrest, in denying Niehoff's contention that the different prices were legal under the "good faith" defense, said the defense applies only to "individual competitive situations . . . not general systems of competition." Secrest said Niehoff's differentials were part of a nationwide pricing system formulated to meet competition generally and not designed to meet exactly any competitor's prices.

Secrest ruled, "... a pricing program which provides for an inherent

pattern of discrimination among competing customers and is geared generally to competing for business and not specifically for meeting competing prices is not within contemplation of this defense."

Department store gains appear to be picking up momentum.

Sales are coming along nicely. But, as indicated earlier (BW—May 7 '55, p. 44), the big gains are in profits.

R. H. Macy Co. is doing fine. Net sales of \$87-million in the quarter ended Apr. 30 were 10% ahead of the same 1954 quarter. Pre-tax earnings of \$1.3-million were up 28%. After-tax earnings rose a thumping 35.4%.

Federated Department Stores climbed, too. Net sales of \$113.4-million for the quarter were 5% more than a year ago. Net income after taxes came to \$3.8-million, a rise of 16.5%.

Blame for at least one gasoline price war rests with the retailers rather than with the big oil company suppliers, the government charged last week.

After investigating the ups and downs of gas prices in New Jersey over the past several months (BW—Apr. 16 '55, p. 46), Justice Dept. has brought suit against the Garden State Retail Gasoline Dealers Assn., Inc., and two of its officers on charges of conspiring to fix rates. Justice says member dealers violated the Sherman Act by forcing others into line by threats, pickets, and blockades of stations. Agreement, according to the civil and criminal actions, was that all dealers would add 6.7¢ per gal. to their wholesale costs starting Mar. 21. This move boosted prices throughout the state, and diminished interstate flow of gasoline, the suits allege.

Congressional hearings are still going on in Washington from a different angle. Democratic committee chairmen are directing probes into whether the big suppliers monopolize dealerships across the country by manipulating prices up and down—starting price wars to reduce competition. Justice says it is also investigating this possibility in New Jersey.

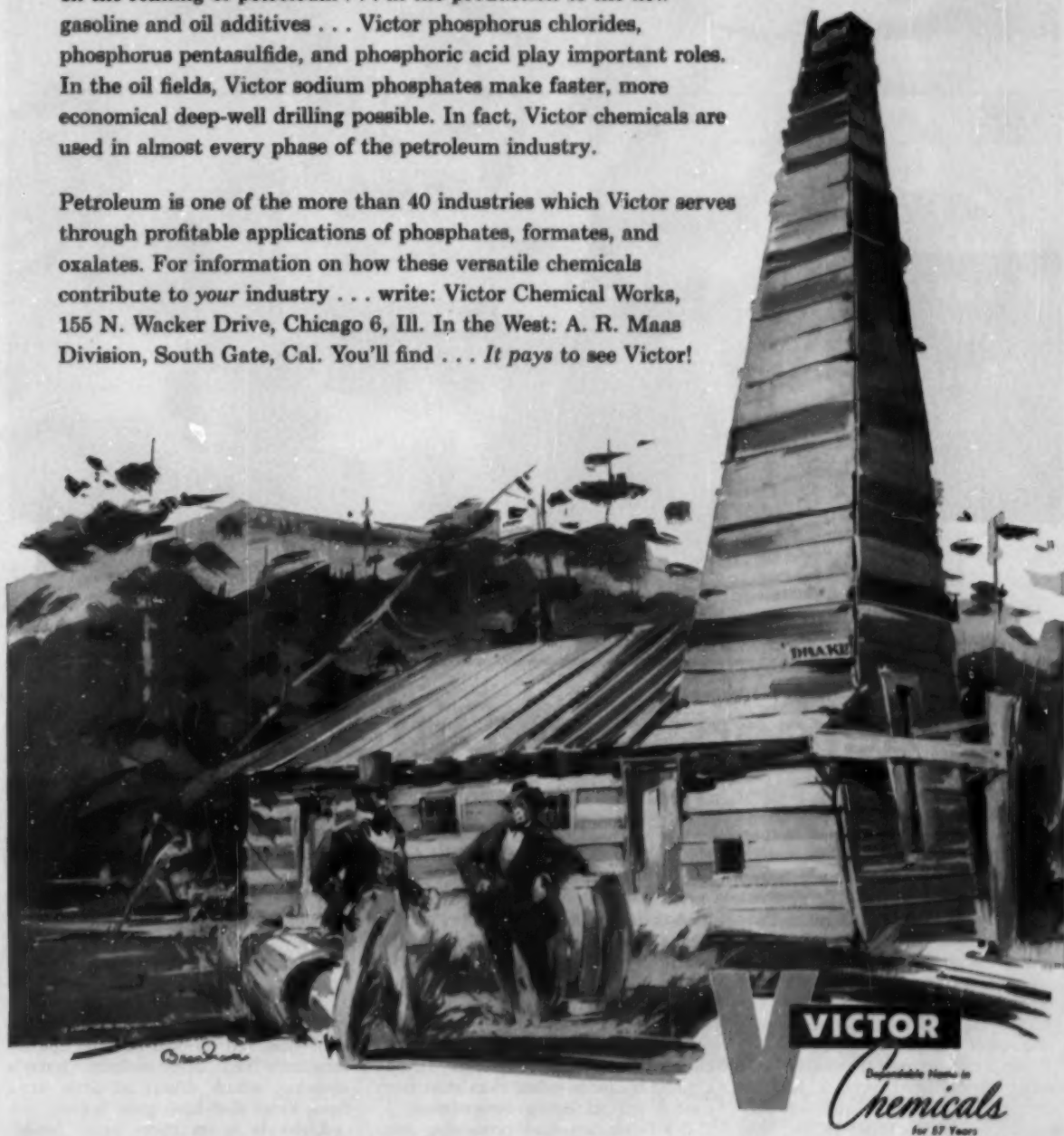
phosphates...

improve petroleum products

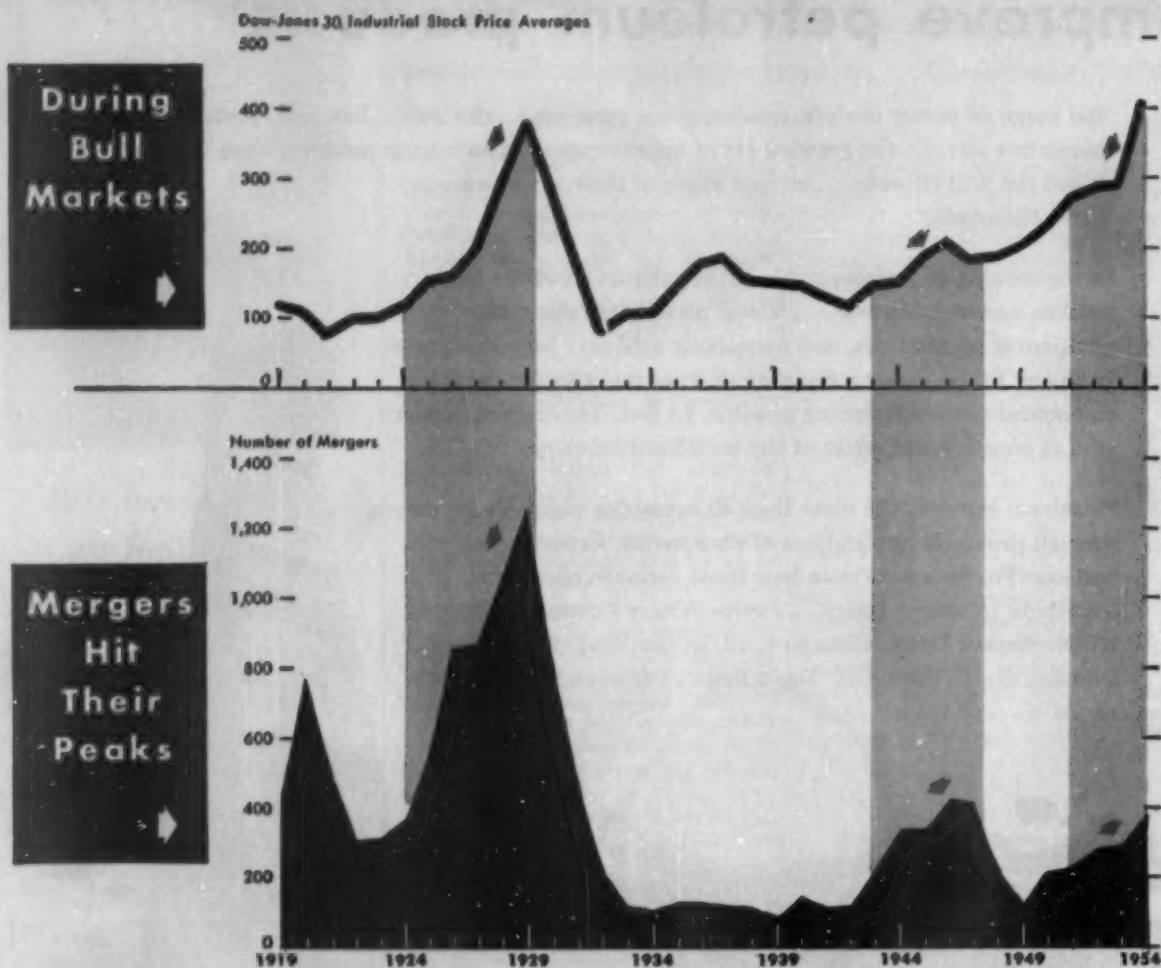
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MANAGEMENT



Data: Federal Trade Commission; Dow-Jones 30 Industrial Stocks

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But Mergers Are Different Now

The corresponding peaks in the two lines in the chart above help to answer some questions that have been bothering a lot of people about the current rash of corporate mergers—particularly the question, why the big upsurge now?

The parallel trend of the two lines makes this clear: Each big spurge of corporate mergers has needed to nourish it a vigorous market that makes stocks available to swing the deals between buying and selling companies.

The result is that you can safely bet on a sharp rise in mergers when a bull market is prolonged over a lengthy period—as in the bullish upswing that began in 1950. To some extent, this

proves out statistically even on shorter peaks.

It's not hard to find the reasons for this:

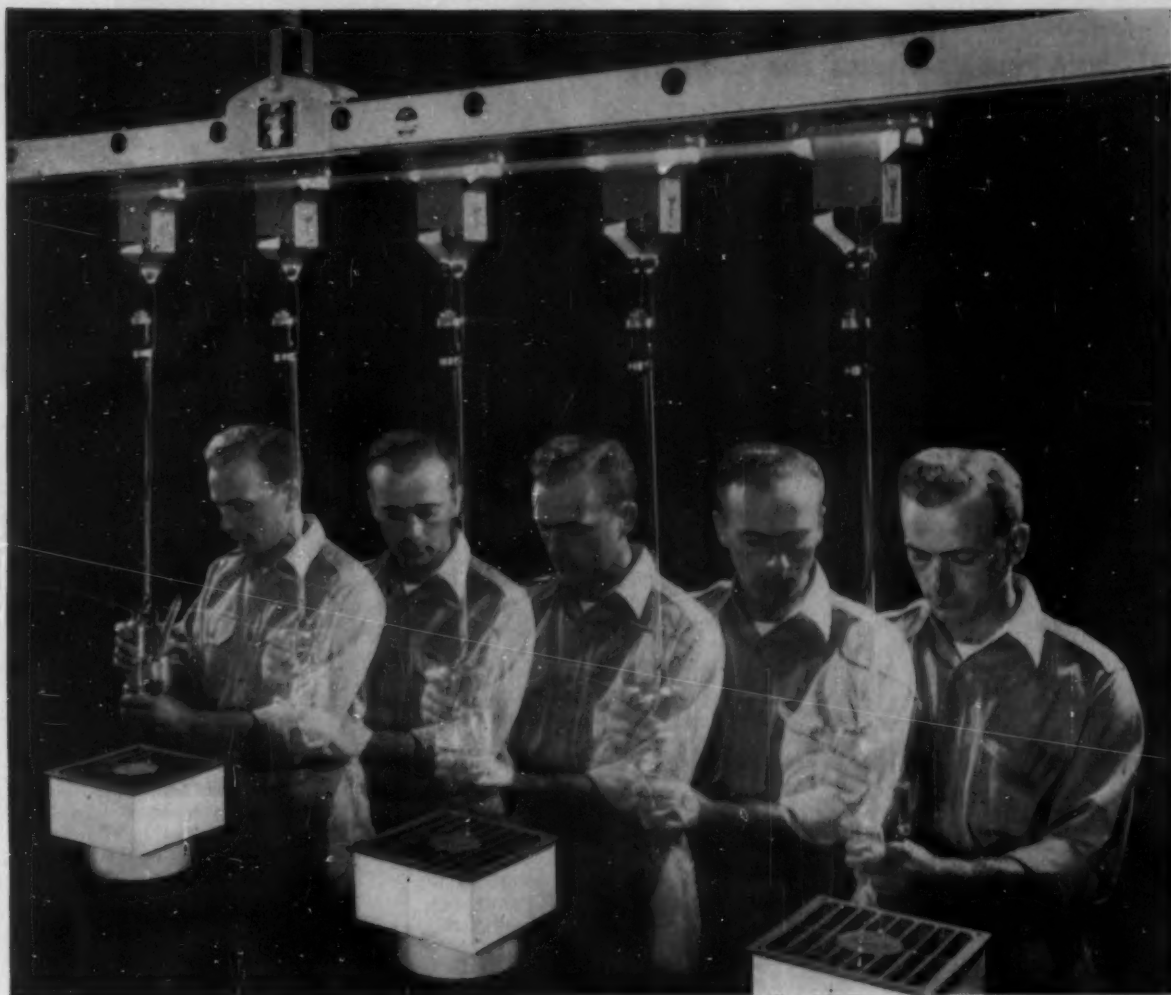
- When the market is up, the prices a selling company can get for its securities become attractive.
- There's plenty of demand for securities—so the sales become possible.
- High-riding stocks almost always mean there's a business boom on—and in a boom period expansion-minded companies often find it cheaper (and certainly quicker) to buy a going business rather than start from scratch against strong competition.
- Financiers find promoting mer-

gers a handy way to make money.

• **Roots**—But this rundown only describes the food that makes mergers grow—the favorable climate that makes them look attractive. It doesn't get to the roots: the business thinking behind the movements—or the influences in public policy, taxation, competition that produce the phenomenon of merger waves.

Actually, each of the waves—going way back to the one that started in 1887—has had its own peculiar characteristics. And that includes today's upswing, which differs in basic ways from those that have gone before.

• **Light**—It is on these more funda-



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"... probably of greater immediate interest to management, both reports discuss the changing character of mergers ..."

MERGERS starts on p. 54

mental questions that two current studies attempt to throw some light. One is the Federal Trade Commission's Bureau of Economics report—a 233-page document that enumerates, classifies, and analyzes mergers since 1948 (BW—May 21 '55, p. 33).

The second is a book, *Business Concentration and Price Policy*, published by Princeton University Press (\$9—514 pages) as an outgrowth of a 1952 conference sponsored by the National Bureau of Economic Research. It covers, among a host of other big business problems, mergers from 1887 to 1947. The section on mergers was written by the man under whose direction the FTC document was prepared—Jesse W. Markham of Princeton University, who heads FTC's Bureau of Economics.

Both studies, of course, have as their focus the economic implications of mergers and the question whether or not these aggregations of capital, production, and marketing facilities seriously affect competition.

Neither of the reports reaches any firm conclusions on this—though comments by some of the economists at the Princeton conference indicate they are fearful that concentration may be going too far in some fields.

But probably of greater immediate interest to management, both reports discuss the changing character of mergers and what's in them for businessmen.

I. Mergers Present and Past

The FTC's study—admittedly a hasty one—breaks down into two parts. The first deals with the enumeration and classification of mergers from 1948 through mid-1954. It is a continuation of a statistical series stretching back to 1919 and beyond. The second part, a new departure for FTC, attempts to analyze the reasoning and procedures behind the mergers. The idea was to give the commission some guideposts in its application of Sec. 7 of the Clayton Act and the 1950 amendment that further restricted merger activity.

From the statistics FTC gathered, it is obvious that since about 1950 another merger movement has been under way—an upturn that followed a sharp decline in 1947. So far, the upsurge hasn't approached the intensity of a similar push in the late 1920s, even though the current bull market is almost as old in years as the 1929 market, and has far exceeded its level.

• **Causes—Why the Lag?**—One obvious

reason is that regulations concerning mergers, put into effect since 1929, make management chary of being brought into court.

Another may be a mathematical fact: Because of earlier mergers, there are not so many industrial lines—especially in mining and manufacturing—where opportunities exist for new corporate acquisitions.

But, perhaps topping all these reasons, is one that may in time stamp today's merger activity as a new type—a merger wave based more firmly than ever before on solid operating and competitive business reasons.

• **The New Look**—Unlike other merger movements in the past, the one we are seeing today doesn't appear to arise out of any basically speculative urge, nor does it seem in its most characteristic developments to be spurred on by the fervor of promoters or would-be monopolists. On the contrary, it appears to be based primarily on considerations of normal business growth in an expanding economy.

What we may be seeing is the development of a prevailing business practice—you might define it as "growth by acquisition." And it seems likely to go along, not in feverish jumps, but at its own measured pace within the limits of present legislation.

FTC itself doesn't draw this conclusion, but you can read it into the study from these two facts: (1) The FTC document makes no recommendation for legislation to curtail today's merger activity—though it notes that such legislation has always followed each big merger wave in the past; and (2) the study examines in detail many of today's mergers, and finds in most of them strong, long-range operating reasons, both on the buyers' and sellers' side, that are certainly not blatantly inimical to public policy or free competition.

• **And the Old**—In the past, most economists agree, this has been much less true.

Take the 1920s. The stock market was a speculative one beyond precedent. As a result, it offered golden opportunities for financiers to manipulate securities through combinations of corporations. The spectacular market boom made possible for Wall Streeters big profits from commissions and inside deals on mergers. Such profits were probably of first consideration—and business reasoning secondary—in promoting many of the mergers.

That's the conclusion that Mark-



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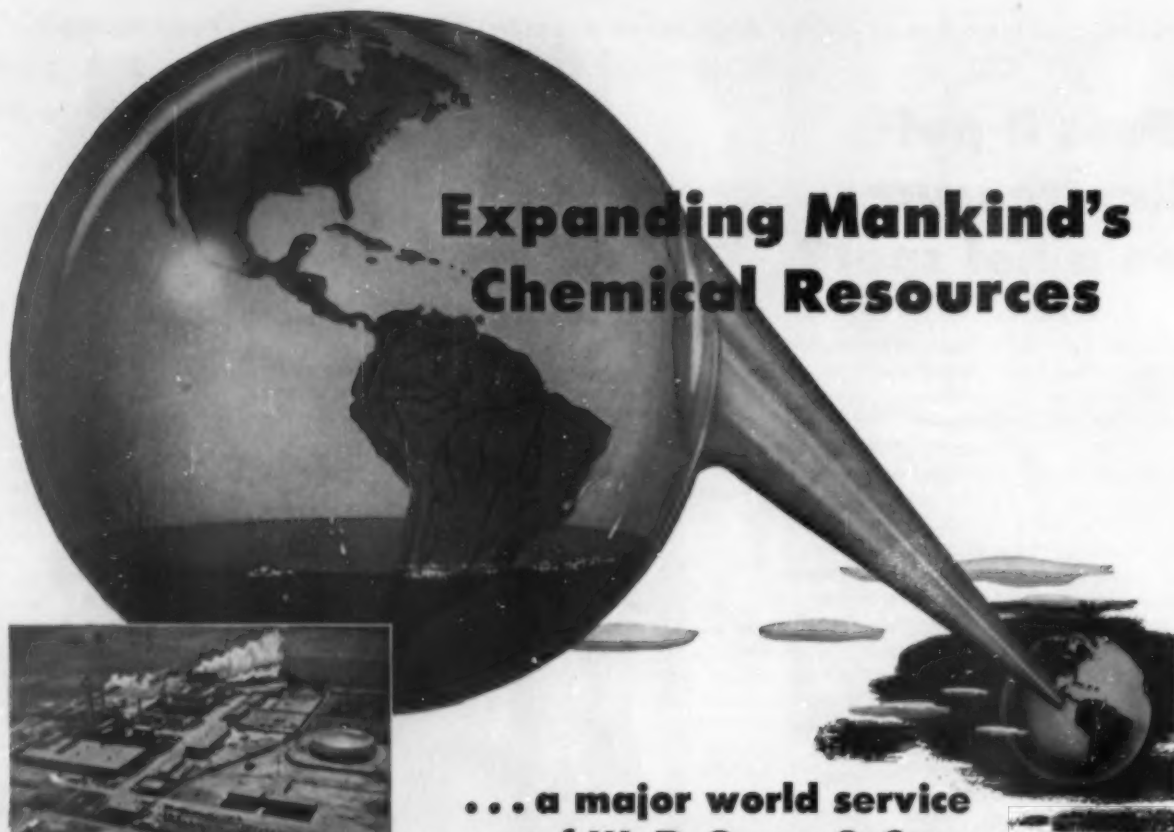
So if the books show earnings slipping, the trouble may well be outmoded equipment. When "written-off" production units can't hold the competitive line on product price or quality, they become the most expensive you own.

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"... the speculation motive in mergers probably held a dominant position in the 1920s ..."

MERGERS starts on p. 54

ham draws in the National Bureau of Economic Research study. He quotes Willard Thorp, the leading authority on the 1920 merger drive:

"A group of businessmen and financiers in discussing the matter in the summer of 1928 agreed that nine out of 10 mergers had the investment banker at the core."

There were other reasons, of course, as Markham points out—the growth of fast transportation that extended the market span of many companies; and the advent of mass radio and periodical advertising that required countrywide distribution.

But the speculation motive in mergers—not hard business considerations—probably held a dominant position in the 1920s.

One result, as both Markham and the FTC point out, was the enactment of securities and holding company laws of the early 1930s.

• **Further Back**—You find the same result when you go back before the 1920 merger boom. The early pools and trusts brought forth the Sherman Act. Then between 1890 and 1904 came the formation of the giant industrial combines.

This eventually resulted in the FTC, the Clayton Act, and in the dissolution of some combines.

On this side of the 1920s, the 1940-47 mergers caught the eye of Congress and produced the amendment of Sec. 7, which was to prevent merger by asset purchase and to make even a possible tendency toward monopoly illegal.

On this score, the FTC report gives a rundown on the seven cases charging violation of Sec. 7 that have arisen since the law was amended in 1950. These are Hamilton Watch Co. vs. Benrus Watch Co., Pillsbury Mills, Luria Bros. & Co. (scrap dealer), Crown Zellerbach Corp., Schenley Industries, General Shoe Corp., and Hilton Hotel Corp.

• **No New Medicine**—Today, the FTC report says: "The procedures followed in present-day mergers . . . generally appear to be the well-established normal characteristics of modern corporation organization and management."

But it only hints at concern over the current merger wave and points out that the 1950 Clayton amendment provides the preventive medicine and the standards to which the public "must address themselves . . . as to when

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Baltimore & Ohio Railroad

Constantly doing things—better!

"... there are excellent business reasons why companies want to sell themselves..."

MERGERS starts on p. 54

Sec. 7 may be applicable to particular acquisitions and mergers."

In short, no new legislation apparently is needed—the first time this has happened in the wake of any significant merger movement.

II. The Why of Mergers

If it's true—and some won't agree—that today's merger phenomenon is based on publicly acceptable business reasons, what are the reasons?

• **More Capacity**—FTC lists a number. Chief among them is the opportunity of getting added capacity to serve old markets. In an expanding economy, when old as well as new markets are growing rapidly, that is only natural. The only question, says George W. Stocking of Vanderbilt University in his comment in the Princeton study, is what happens if the economy stops expanding?

• **Diversifying**—After added capacity comes the desire (1) to lengthen product lines and (2) to diversify. FTC distinguishes between these two—the first aiming to reduce unit costs and the second to hedge risks—but in many cases they can be one and the same. Together, taken as diversification in its broadest sense, they outweigh all other business reasons for current mergers.

So diversification by acquisition, as many have suspected, could be the hallmark of today's mergers—in contrast to monopoly, backward and forward integration, and market control, which motivated many of yesterday's movements.

• **Buyer and Seller**—This holds up, since according to FTC it is the company on the prowl for firms to buy that is now the motive force in most mergers. The promoter for merger's sake is still around, but he hasn't the role to play he did in the earlier booms.

What's more, both in 1940-47 and the present—the only two merger booms that have occurred since 1929—there are excellent business reasons why companies want to sell themselves; and none of these has anything to do with competition or monopoly. They arise largely out of the tax structure—high estate taxes on family enterprises, favored treatment for capital gains, tax-free stock transfers, and tax carryover provisions for corporate losses.

These partly account for the second most important motive force that FTC found in mergers—the company looking for somebody to buy it.



Tunnel within a tunnel — 8500 ft. exhaust ducts are supported by seven-foot Monel hangers. There's one every eight feet along the duct.

The Holland Tunnel that drivers never see

Drivers never see *this* tunnel because it is hidden above the ceiling—a *tunnel within a tunnel*.

It's part of a unique air exhaust system that completely changes the air in the Holland Tunnel every minute and a half. Since the famous tunnel connecting New York and New Jersey was opened in 1927, the system has proved so successful that designers of the Lincoln and other large tunnels have adopted it.

In working out this unusual exhaust system, Port of New York Authority engineers faced the problem of providing support for the tunnel ceiling, or — more correctly — the "exhaust duct floor." In order to minimize wind resistance, hanger rods from the tunnel shell to the duct floor had to be as thin as possible.

Monel provided the answer. The high strength of Monel—plus its corrosion resistance—enabled the engineers to use hangers of minimum cross-section without requiring any allowance for corrosion.

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And, of course, we're always glad to work with you on problems. Don't hesitate to call us in.

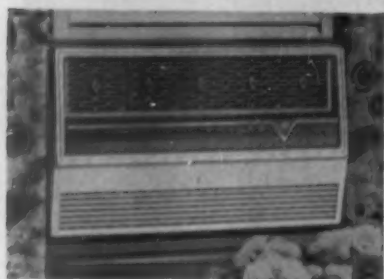


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CONFERENCES like AMA management meeting have lost convention air, become . . .

A Growing Source of Ideas

Management is giving large chunks of its time to conferences. From them, it's seeking promising paths for the future. "We come for ideas," they say.

The convention hotels around New York City are starting to bulge at the seams these days.

In a couple of weeks, 2,500 serious-faced financial experts will crowd into the Waldorf-Astoria Hotel for the 36th annual conference of the National Assn. of Cost Accountants.

A couple of weeks ago, the Waldorf was the site for the annual gathering of the National Industrial Conference Board's delegates (BW-May 21 '55, p51).

And last week, some 700 of the country's high-ranking business executives filed into the grand ballroom of the Roosevelt Hotel for the American Management Assn.'s three-day Top Management Conference.

From this, you can see that the

annual season for business conferences is at its height.

• **Part of the Job**—Conference attendance is turning into such an integral part of a businessman's life that it's a wonder a manager can still maintain continuity of work at his home desk. Hundreds of corporation presidents, chairmen, and vice-presidents are spending between 20 and 30 days a year at conferences. There are specialist's conferences; trade and industry conferences; and information-exchange (or "battery recharging") conferences like the one put on by AMA for top management last week in New York.

Nobody possesses firm figures on what all this gregarious activity costs U. S. business. One company reckoned its expenses for AMA meetings alone

heavy-duty beauty with smooth-as-silk performance



PHOTO COURTESY SILENT HOIST & CRANE CO., INC., BROOKLYN, NEW YORK

Chrysler Horsepower and glyrol Fluid Coupling team up nicely in 15-ton fork lift truck

This fork lift truck is no "prima donna," but it is a heavy-duty beauty . . . with a load capacity of 30,000 pounds. It's a Silent Hoist Litruck, Fork Truck Model FK 15, here pictured bringing logs to a New Hampshire sawmill. Neither mud nor rough, rocky terrain will hang up this unit in the performance of its job. From his seat, the operator easily controls lift, tilt and travel components.

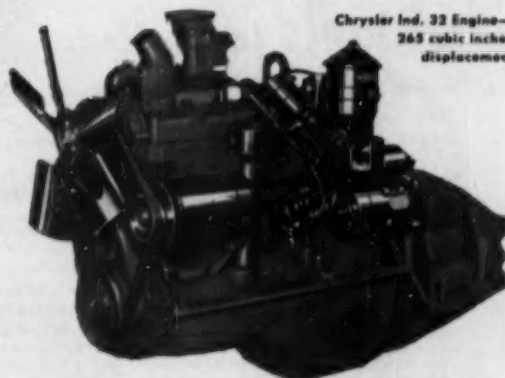
Front wheels do the driving, are mounted on "dead" axle which carries full weight of truck and fork load. Rear wheels steer the vehicle. Litruck pictured is equipped with extra-tough deep-groove tires and the driver is protected with optional overhead safety guard.

Power for Litruck Model FK 15 is supplied by the action-packed, *action-proved* Chrysler Ind. 32 Engine. This lightweight, compact 265 cubic inch displacement engine drives the hydraulic system which operates load mechanism and the travel components which move the entire vehicle at speeds up to 12 miles per hour. Chrysler glyrol Fluid Coupling connects engine and four-forward-speed transmission, simplifies driver operation, eliminates shock overload and assures longer life for engine, transmission and equipment.

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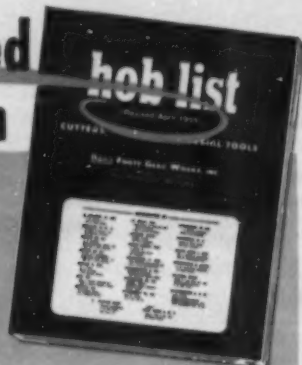
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necessary for the preparation of tools. Even if you make your own gears you may find it is cheaper for us to make them.

This revised edition lists all tools prepared and in stock through April, 1955. If you have a copy of the Hob List, write for the revised edition. And if you haven't had a Hob List, write for your free copy—find out how it can save you time and money on gears.



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"... well over one-third were board chairmen, presidents, or executive vice-presidents..."

AMA starts on p. 62

at \$30,000—and it noted proudly that this was proof enough that it was an up-and-coming outfit that goes to the right places for good information.

You can get some idea of growing power of conferences from AMA's 1954 program:

- Some 48,500 executives attended 315 different meetings.
- About 1,600 speakers, discussion leaders, plus a permanent AMA staff of 160, ran the meetings.
- Business paid into AMA last year fees totaling \$2.5-million—12 times the 1944 figure.

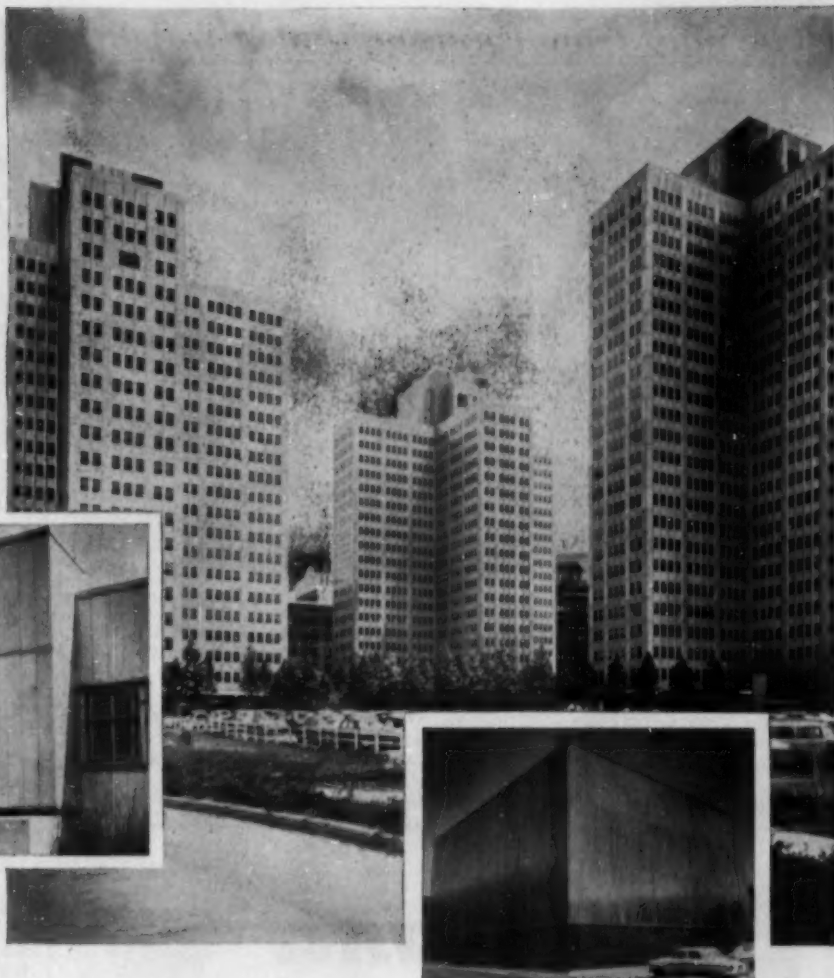
And before the end of 1955, these figures will be eclipsed. Publicity men are already beating the drums for AMA's Summer Program.

AMA sets a high tone for all these proceedings. You get the idea that they are pretty serious gatherings when you note that at the Top Management Conference last year, well over one-third of those who signed in were board chairmen, presidents, or executive vice-presidents.

• Pull of Ideas—What gets them out to the conferences? The audiences give one general answer—"We come here for new ideas." A sampling of the speakers list for last week's AMA conference in New York shows why top executives believe they're likely to get good new ideas: Prof. Jay W. Forrester, director of MIT's Digital Computer Laboratory ("Developments in Computer Applications to Management Problems"); Robert C. Tait, president of Stromberg-Carlson Co. ("Long Range Planning: New Dimensions and Established Principles"); J. G. Shennan, president of Elgin National Watch Co. ("Establishing a Philosophy and Program for Company Growth"); Charles Lukens Huston, Jr., president of Lukens Steel Co. ("Setting Corporate Objectives"); Dr. Rensis Likert, director of Univ. of Michigan's Survey Research Center ("Developing Patterns in Management"); John Markle II, personnel vice-president of Bell Telephone Co. of Pa. ("Widening the Scope of Management Development"); Dr. John R. Dunning, dean of Columbia University's School of Engineering ("Forces and Direction in Technology"); and ex-FDR "Brain Trustee" A. A. Berle, Jr., professor of Law at Columbia; ("Implications of Technological Change for Corporate Managements").

• Public's Pressure—The conference's emphasis was on three main fields—all

Stainless steel curtain wall construction, as used (right) for the Gateway Center buildings in Pittsburgh; (below) for an industrial research laboratory; and (inset, right) to modernize an existing office building—illustrating the adaptability of curtain walls for all types of structures, large or small, new or old.



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- 3 "Stainless Steel Curtain Walls"
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United Press photo

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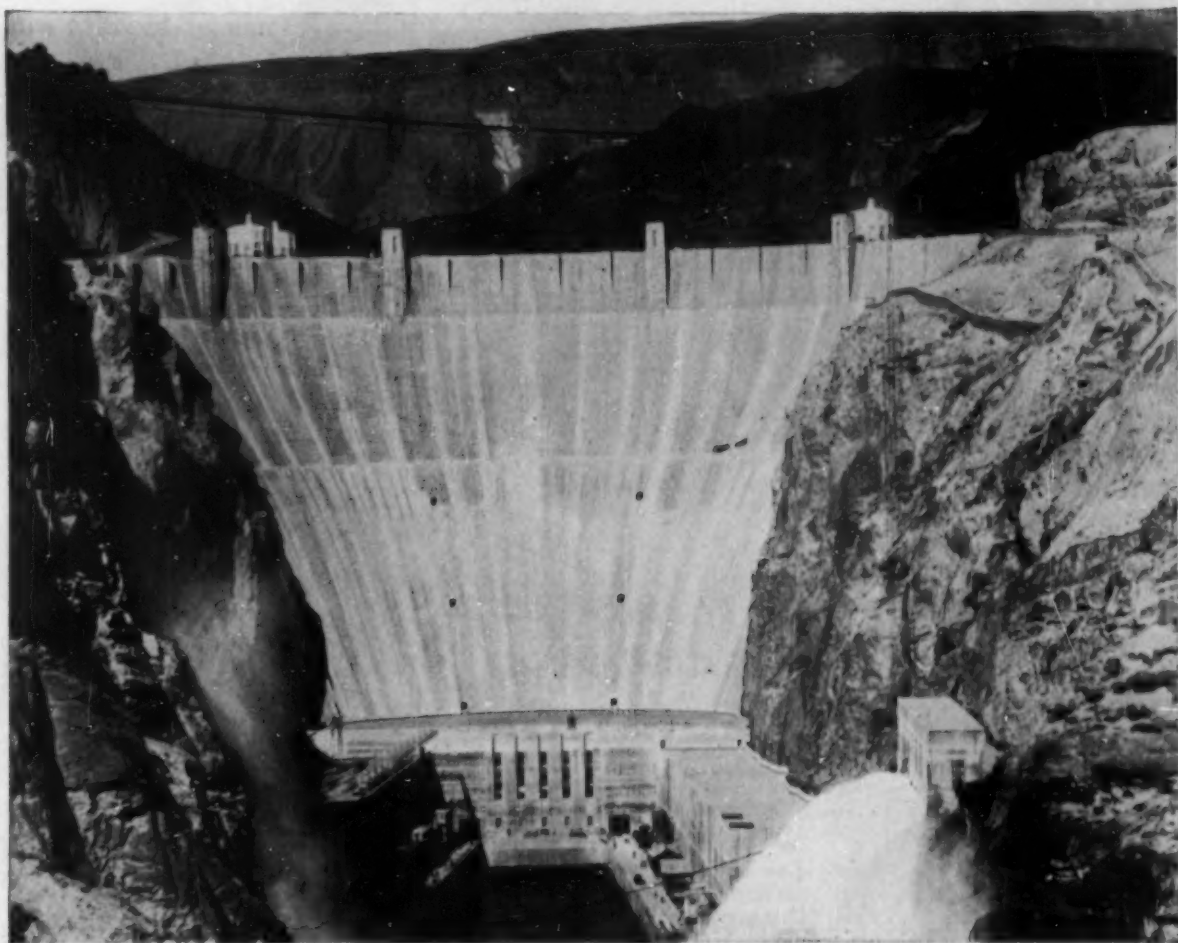
of which cause plenty of concern for top management: (1) The impact of technology on business, (2) the problems of business growth, and (3) management's new and growing concern with scientific human relations.

Through most of the talks beat this one main theme—the expanding population's pressure for business growth.

This pressure leaves the small company with the stark choice: Grow or die. That, anyway, was the opinion of Pres. T. M. Evans, of H. K. Porter Co., Inc. In this economic era it seems you must either grow or fall back—there's no middle point, he felt. Evans' company grew through acquisition of already-producing industrial companies. It followed that course because Evans believes it takes too much time for a small company to build itself a completely new product line. "It's usually much more economical to purchase a concern and secure overnight its engineering staff, technical knowledge, plants, products, and customers," said Evans.

New means of putting a company's long-range planning on a firmer basis are available. They lie in the bigger supply of statistical data about the national economy that's available nowadays. This new data, coupled with the electronic computers' power to turn the data into projections, gives management solid aid, said Pres. Robert C. Tait, of Stromberg-Carlson.

But Tait got an answer to that from Prof. Jay Forrester, head of MIT's digital computer lab. Said Forrester, in effect: "It's high time companies started long-range plans to train more people to understand what computers can do." Industry should start training men to use computers as a direct aid in making management decisions, through linear programming, operations research, and



What holds it together?

Or, what holds any concrete bridge, building, highway, sidewalk or dam together? The answer . . . cement! To a lot of people cement and concrete are one and the same. You hear people talk about "cement mixers" . . . "cement sidewalks" . . . "cement" this or that. But cement is really the binder that holds together the sand and stone to make concrete.

What we're getting at is this. Cement is a basic ingredient of a growing America . . . and there's a lot of it being used because of the economy and flexibility of concrete construction. To keep up with demand, the cement industry is building new mills and expanding present ones.

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the main problems of cement production is efficient materials handling . . . especially in increasing capacity. We have developed improved chains, elevators, belt conveyors and other equipment especially for this industry . . . more efficient . . . more rugged . . . more economical. They meet today's and tomorrow's requirements to step up capacity and improve production.

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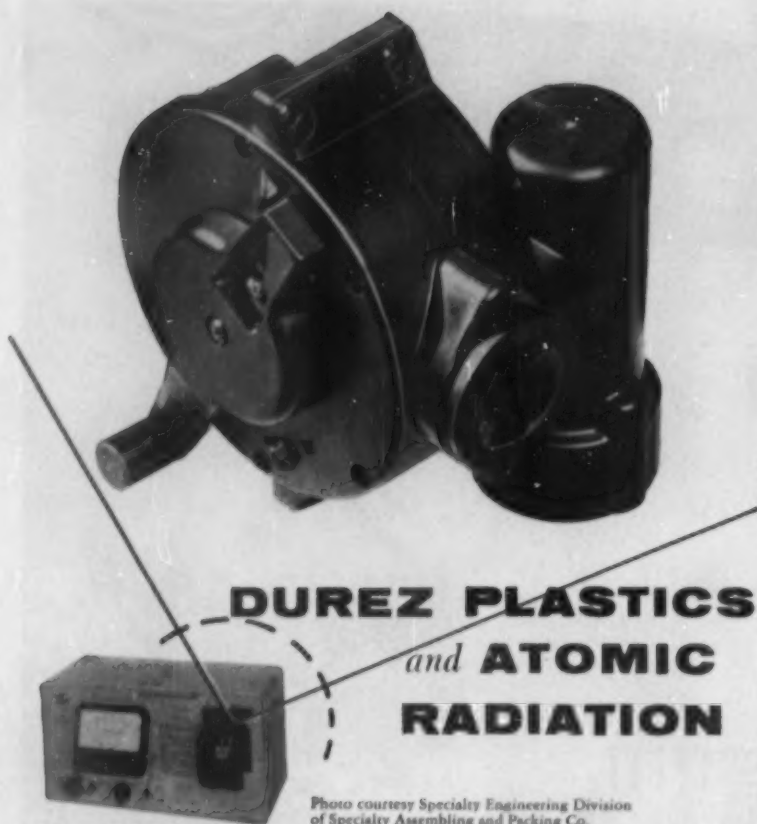


Photo courtesy Specialty Engineering Division of Specialty Assembling and Pecking Co.

The U. S. Navy Bureau of Ships was aiming for accuracy when it developed the "dosimeter reader," an instrument that measures the amount of atomic radiation to which people have been exposed. Easy portability and economy were important factors, too.

The way in which all these are furthered by this 5-piece positioning system of molded Durez phenolic is of importance to manufacturers, engineers, designers, and others in industry.

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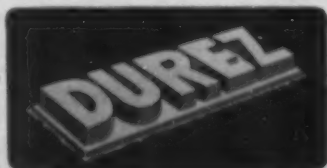
door needed to shut out light when die cast metal was used is eliminated. Durez also requires no finishing to prevent reflection of internal light.

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"... men of breadth will still be needed in times of great growth ..."

AMA starts on p. 62

projections based on current events, instead of past events. It's time that these applications for computers were studied, just as the application of computers to clerical tasks have been studied, Forrester said.

• **Automation—Slow or Fast?**—The second major technological change of the mid-1950s is not yet so far advanced for it to be justified economically, the management men were told. C. H. Fawcner, a Monsanto plant engineer, said: "Automation of plants on a large scale just isn't in the cards yet. It would take 10 years to design and put into production a fully-automated plant . . . and by that time the plant probably would be obsolete."

But General Motors' Robert T. Collins thinks there will be pressure to force automation along faster than that. He said: "Output per worker will have to increase 40% between now and 1960. You can't get an increase like that by working longer, harder, or more efficiently. It's the new technological developments that offer the greatest hopes for achieving this goal."

• **Men for the Future**—However far automation may go, men of breadth will still be needed to manage in times of great growth. In the last talk in the AMA forum's regular session, the management men heard a plan for management development from John Markle II, personnel vice-president of Bell Telephone of Pa. He told them about his company's Institute of Humanistic Studies for Executives. This scheme is, in effect, a 10-month liberal arts course for executives. Its students are drawn from Bell's first, second, and third levels of management. Bell gives the course in cooperation with the University of Pennsylvania.

The purpose of the course, said Markle, is to give the company's up-and-coming men a broader background that will help them understand the political, social and economic changes that will influence corporate management in the future. He added: "It also offsets a tendency toward over-conformity that's bound to occur in a business that is highly specialized and that promotes almost entirely from within."

"The future of business management depends on establishing and maintaining a high level of leadership. This experiment may or may not be the final answer. But certainly it seems to be a start in the right direction."



The Johns-Manville Permacoustic Ceiling in the beautiful Bradley Airport Terminal restaurant provides quiet and comfort despite noisy aircraft traffic outside.



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THE MANAGEMENT PATTERN

Owning Stock

WHATEVER the outcome of the Ford-United Auto Workers negotiations, the company's offer to include an employee stock purchase plan in its contract has some wide management implications:

Immediately it brings into closer focus a question now before the courts. That is whether such stock purchase plans are indeed negotiable between labor and management. Richfield Oil Corp. is now battling a National Labor Relations Board ruling that held the terms of its plan are bargainable (BW—Oct. 23 '54, p162).

FORD'S OFFER also spotlights a continuing trend to make stockholders out of employees.


In any new employee benefit scheme, companies are usually wary lest it become subject to negotiation. That has been true of stock deals; it has prevented some companies from following the leaders—Dow Chemical Co., Inland Steel Corp., many of the oil companies, Westinghouse, and General Electric. The Ford proposal, even if it isn't accepted, certainly will strengthen the argument of the NLRB in the Richfield decision.

RIGHT NOW there are signs that the employee stock ownership concept is picking up speed. Du Pont has just announced a plan to put stock into the hands of its workers (page 76). In addition, many companies are adopting variations of Sears, Roebuck's profit sharing and retirement plan.

The every-worker-a-stockholder idea is based on the belief workers will be more company-minded. Whether that's sound reasoning is debated, considering the experience companies had in the 1929 market crash. Now, though, the long-range bullish outlook continually weakens that restraint.

BUT Ford's action might raise a vast new problem:

If unions become the agents through which employees acquire stock, the time may come when a union-oriented stockholders' bloc says, "We are stockholders at your suggestion; how about giving us more to say about management?"



H & N's Pacific Proving Ground design and construction experience now assures you of

PLANT STRUCTURES THAT WITHSTAND ANY PREDICTED HAZARD!

Holmes & Narver has designed and built structures that successfully withstood unprecedented maximum pressures at the U.S. Atomic Energy Commission's Proving Ground...including concrete buildings with walls up to 5 feet thick to protect delicate scientific instruments, machinery and equipment. Because of this experience, H&N can offer you unique "insurance" against any foreseeable hazard that might affect your building.

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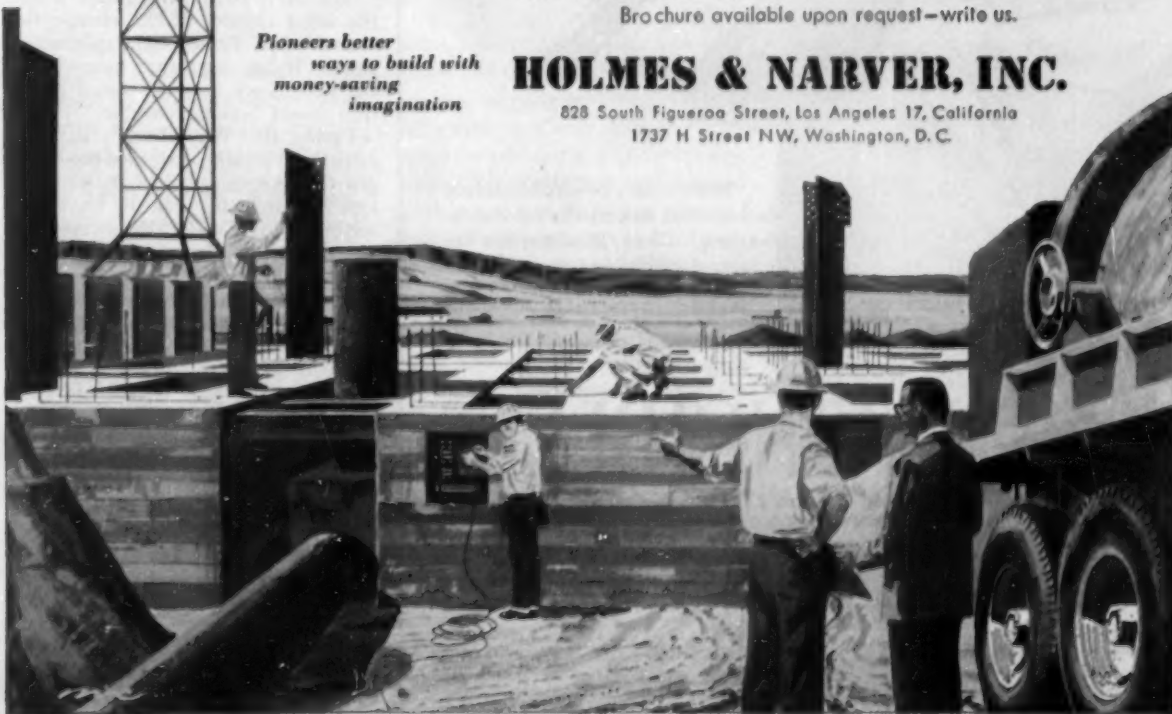


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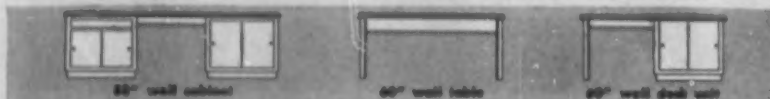


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Switch at Trane

Wisconsin heating-air conditioning firm moves into big time with NYSE listing, management shifts.

This week, after the Big Board's polite little welcoming ceremony, shares of Trane Co., La Crosse, Wis., heating and cooling equipment manufacturer, were traded for the first time on the New York Stock Exchange.

The occasion symbolized Trane's realization that its \$50-million in annual sales, plus its growth prospects, put it, if not yet in the big leagues, at least in AAA ball.

On all sides, there's evidence that Trane is breaking out of the minors. Since World War II, its sales have increased five times, its assets four times, and its profits gone up from less than \$500,000 in 1945 to \$3.4-million last year.

• **Time for a Change**—Now Trane has reached a point that most fast-growing companies find critical: It's trying to standardize many of its products and components, shake off the "job shop" aspect of past years, get more and more volume production on bigger units.

Trane's shift from pre-war days—when it was closely held, family-run, and full of conservatism—toward the big time is a good example of what a company goes through.

The move to the Big Board is only the latest chapter of the change that started when Trane began splitting its stock. It has done that twice—to get the price down to where broad ownership would become possible.

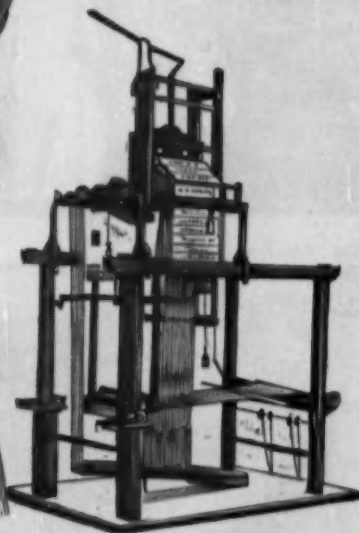
• **Paving the Way**—Trane's big time intentions became serious when it began the reorganization of its top echelons in March this year. By regrouping responsibilities under three executive vice-presidents, Trane shifts its emphasis from engineering to marketing thus swinging in the same direction as many big companies.

• **The Beginnings**—Trane's founder, Reuben Trane, died last year. He started the company in 1913 to make heating equipment. His engineering innovations took the company into air conditioning as early as the '30s. He served as Trane president until 1951, as Board Chairman until 1953. He left the man who succeeded him as president, Donald C. Minard, a company that's in first-class financial shape and has a solid toehold in air conditioning. It is one of three leaders in the field.

Minard's management reshuffle in March set up three top vice-presidents. R. James Trane, president of Trane's Canadian subsidiary, took on responsi-



Joseph Marie Jacquard (1752-1834) built the first machine which made design weaving practical.



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After Napoleon saw the first fabric produced by Joseph Jacquard's weaving device, he told the inventor, "You have done what the Almighty couldn't... tied a knot in a taut string."

Today the "impossible" is a science, and the Jacquard-patterned carpet and rug a thing of beauty, intricacy and lasting utility.

Helping to weave these modern wonders are alloy and stainless steels. Made with Vancoram ferro alloys, these steels have done much to bring new speed and efficiency to textile machinery as well as economy and ease of maintenance to textile process equipment.

Wear-resistant, chrome-vanadium rotary wheels, for example, automatically

select and regulate a wide variety of raised and fancy stitches. Long wearing, non-snagging stainless steel is ideal for guides and whip rolls and other machine parts. Its high corrosion resistance prevents rust formation and contamination in vat linings, pipes and other process equipment... from preparation of stock to finished fabric.

Working with America's steelmakers to deliver finer, ever more versatile steels, Vanadium Corporation produces ferro alloys of chromium, vanadium, manganese, silicon, titanium and boron. VCA's modern Research Center is constantly seeking new materials and processes to help the steel industry... and its customers continue to do the "impossible."



Modern Jacquard loom—with its overhead design cards and hundreds of manipulating wires—can weave simple or intricate designs quickly and efficiently with alloy steels in vital operating parts.



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bility for over-all coordination between that operation and the Scranton (Pa.) plant. Wayne Hood was made executive vice-president of the finances and purchases. Probably the key appointment was that of Thomas J. Hancock as executive vice-president to coordinate sales, engineering, and manufacturing. In that spot, Hood heads up all the operating components of the company. All three men are around 40 years old.

• **Team for Maturity**—These appointments covered the first requirement of the company's coming of age—a larger top management team.

Discussing Hancock's assignment, Minard points out the need for somebody at a top level, to get together all the needs of manufacturing, sales, and engineering so that a balanced analysis of new products can be made.

It's almost traditional that sales engineers will look for an ideal product, at no cost; that industrial engineers want a product suitable for mass manufacture, at low cost; and that product engineers want the ideal product, regardless of cost. "It will be Hancock's job to coordinate and arbitrate these various points of view," Minard explains.

The manufacturing, sales, and engineering departments already work very closely at Trane, according to Hancock. This new setup groups them into an informal operating division—"a natural alliance" Hancock calls it.

This alliance was brought about by two things, as Hancock sees it: (1) Trane is growing up; and (2) it needs to bring some young men for the future management of the company into positions of broader responsibility.

• **Space and Money**—Trane now has some 3500 employees scattered through six plants at La Crosse, Scranton, and a wholly owned Canadian subsidiary. In the last nine months alone, Trane has added 115,000 square feet—about 16%—of new plant space.

At Trane's annual meeting in March, stockholders authorized a standby issue of 1,200,000 new Trane shares, an amount of new equity equal to the Trane common now outstanding. At the price for which Trane common now sells on the Mid-Western Stock Exchange (between \$51 and \$52) the newly authorized stock could bring in more than \$62,000,000 if the company chose to put it all up for sale.

Although management is noncommittal, some Midwesterners guess that Trane wants the Big Board's prestige and publicity if and when it decides to issue this big bloc.

• **Product-Minded**—Trane cuts across the entire air conditioning, ventilating and heating, and heat transfer field—all of them mushrooming. Each has a technology that can contribute to the

Smith-Corona Inc Syracuse 1 N Y Factories also in Toronto, Brussels and Johannesburg

7 welders in 1

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METALLIC ARC DC STRAIGHT OR REVERSE

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Preset, automatic time delay (2 seconds to 2 minutes), built into the DA-200HF-GW or DA-300HF-GW, keeps water and gas flowing for a given time after the arc is broken. Prevents electrode contamination for clean, sound welds every time. You get an instantaneous arc without touching the electrode to the work — an essential in Automatic Heliarc® Welding.



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Use the DA-200HF-GW or DA-300HF-GW equipped with Linde® Sigma Welding Equipment, and you can weld aluminum, stainless, copper base alloys, etc. at speeds up to 550 inches per min.



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The DA-200HF-GW or DA-300HF-GW also can be used with the Linde® Spot Welding Torch. Control equipment is built right into the welder. Mild steel, low alloy, or stainless steel .030" to .064" can be spot-welded quickly and easily in from one to two seconds per spot.

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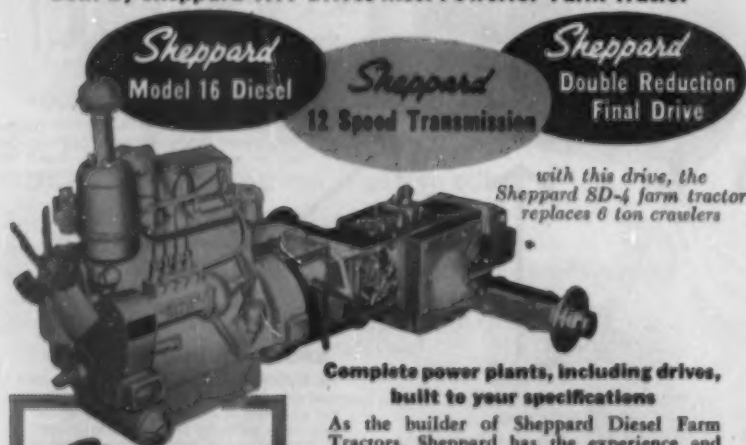
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others. Thus, Hancock's appointment to coordinate designing, making and selling all Trane products makes sense.

But the shift to marketing is unmistakable. Hancock was one of the few Trane salesmen who was not a trained engineer—itself an innovation. As far as his own contribution goes, he sees it this way, "the new organization should enable us to get a new product on the market fast, with a good first design and at a good cost."

MANAGEMENT BRIEFS

Robert L. Barbour last week quit his job as director of public relations for the New York, New Haven & Hartford RR. He claimed too many people moved in on him, and resultant differences of opinion couldn't be resolved. Barbour reportedly was hired by Patrick B. McGinnis, after he won control from Frederic C. Dumaine, to shake up the road's public relations activities.

National Can Corp.'s acquisition of Pacific Can Co. moved into the final stages last week. Pacific stockholders approved a plan for dissolving their company, thus permitting final consolidation with National. During recent months, National has picked up more than 99% of Pacific's stock.

Tuition will be boosted at Massachusetts Institute of Technology from \$900 to \$1,100 in 1956. Pres. James R. Killian pointed out that the cost of education continues to rise more rapidly than tuition. Even with the new increase, he said, tuition will pay less than half the total cost of an MIT education.

An employee thrift plan linking payroll deductions for U.S. savings bonds with company credits in common stock is being set up by du Pont. The plan is similar to one General Electric operates for its workers (BW-Sep. 8 '51, p98). Beginning Sept. 1, du Pont employees with two years service can sign up to have from \$12.50 to \$37.50 a month held out of their pay for the purchase of government bonds. The company will pay an amount equal to 25% of the deduction to a trust fund for the purchase of du Pont common for the employee's account. Du Pont holds the stock for two years and the bonds for four years before turning them over to the employees.

For the first time, the University of Richmond is offering a Program for Executive Development through its School of Business Administration. The three-week session begins June 13 and is aimed at briefing specialists for broader responsibility.

The truck tire dollar that goes three times as far!

There's no secret about it. Actually, it's common knowledge among experienced truckmen that a dollar spent on recapping goes three times as far as a dollar spent on new tires.

The surprising thing is how many of these truckmen keep on tossing money on the junk heap because they often forget this important fact when it really counts!

The time to remember recaps

Only once in the life of every tire can you do something about its recap potential. And that is *before* you decide whether or not to buy it! That's when you can call on the judgment you've developed through the years and make it pay off! That's the time to consider how much to spend . . . on what type of tire . . . and of what make.

And yet, that's the point that a good many truckers miss. Instead of buying tires of proven worth, they pick up "bargain" tires and unwittingly bargain away hundreds of thousands of low-cost recap miles!

Nylon is not the entire answer

In making this new-tire decision it is wise to remember not just one but *several* factors. Of course there is no tougher cord material in use today than Nylon. Figured on a weight basis, Nylon is actually tougher than steel. However Nylon alone can't make a tire top-grade. It's what the manufacturer does with the Nylon that counts.

Before Nylon is built into a Kelly Springfield tire it is subjected to many exacting processes and controls that are expensive—but worth every extra penny they cost. For example, as part of the process, Kelly pre-stretches and heat-stabilizes the Nylon to bring it to maximum strength and keep it there for years to come. That's why Kelly Nylon Tires effectively resist "growth" and other tire faults and permit more of those precious recaps.

Workmanship like this never shows up in the form of a bargain price, only in *bargain mileage!* And the truly perceptive buyer understands this when he invests in truck tires.

The tougher tire

After being treated, Kelly Nylon is then built into tires that are definitely superior in strength. Tires with tread rubber specially compounded to give longer original mileage . . . with sidewall and over-all carcass strength to offer terrific resistance to blowouts and to keep your truck, driver and load rolling *worry-free*, recap after recap.

Tires like these can flex and recover millions of times under the heaviest loads, over the roughest roads without any undue sign of "fatigue."

It's in the record

Actual records compiled by independent truckers prove beyond a shadow of doubt that Kelly Nylon Tires repay, many times over, the small extra margin they cost over "bargain" tires. Your nearest Kelly Tire Dealer will be happy to give you some interesting and valuable details on the money-saving potential of Kelly Nylon Tires. Or write to Kelly Springfield Tire Company, Cumberland, Maryland.



There's a tough KELLY for every trucking job!

THE KELLY-SPRINGFIELD TIRE COMPANY, CUMBERLAND, MARYLAND



**FARMING ... "MOST POWERFUL
TRACTOR ON WHEELS"**

Is the description Oliver Corporation gives its new "Super 99 GM" 5-6 plow farm tractor. Farmers switching to this GM Diesel-powered tractor from gasoline units can cut fuel bills as much as 60%.



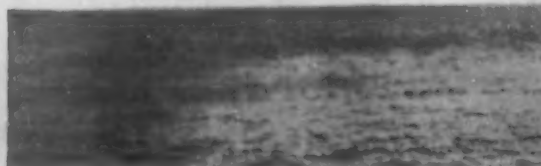
**MINING ... "HAULS FASTER,
USES LESS LUBE OIL"**

The Crowe Coal Company in Missouri which operates six trucks powered with GM 2-cycle Diesels and three with 4-cycle Diesels—also reports its GM Diesel-powered trucks cost less for engine overhauls.



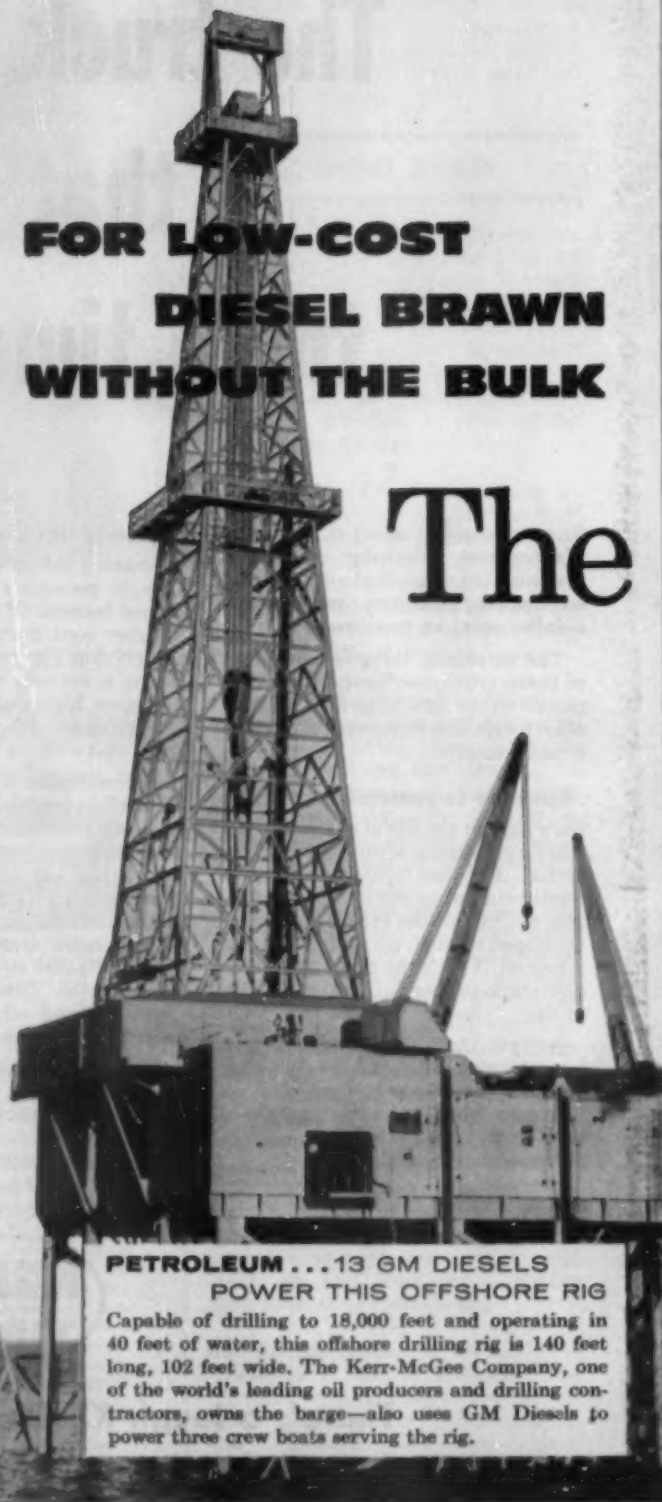
**WORKBOAT ... SWITCH TO GM
DIESEL TRIPLES TUG'S POWER**

The Bay State Dredging & Contracting Co. replaced a 4-cycle Diesel in one of their tugs with a GM Tandem Twin "6-110" 2-cycle Diesel. This tripled the tug's power, increased cruising speed and top speed and gave greater maneuverability to the craft.



**FOR LOW-COST
DIESEL BRAWN
WITHOUT THE BULK**

The



**PETROLEUM ... 13 GM DIESELS
POWER THIS OFFSHORE RIG**

Capable of drilling to 18,000 feet and operating in 40 feet of water, this offshore drilling rig is 140 feet long, 102 feet wide. The Kerr-McGee Company, one of the world's leading oil producers and drilling contractors, owns the barge—also uses GM Diesels to power three crew boats serving the rig.



CONSTRUCTION ... "HOTTEST MOTOR GRADER ON WHEELS" is the way the Austin-Western Company describes its GM Diesel-powered Super 88 Road Grader. Unit has torque converter, all-wheel steer and drive, many other features. On hundreds of construction jobs across the nation, GM Diesel power helps contractors meet and beat contract deadlines—at a profit—by doing more work, faster, at less cost.

choice is GM

When you buy a General Motors 2-cycle Diesel you get the power you need in a smaller, lighter engine that in most cases sells for *less* than other Diesels in its horsepower range.

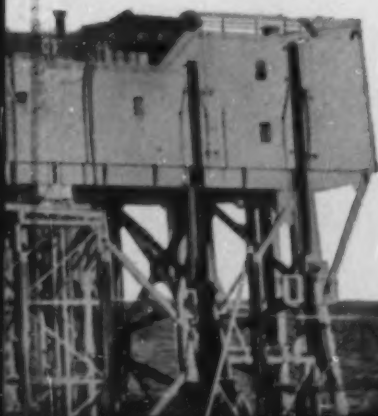
And because a General Motors 2-cycle Diesel is priced low, and burns fewer gallons of lower-cost fuel than gasoline engines of comparable power, it can save enough to pay for itself soon after it takes over from a gasoline engine.

The savings add up like this: Say you're spending \$1,000 a year for gasoline at 23¢ a gallon. You switch

to a 4-cylinder Series 51 GM Diesel that burns 14¢ fuel, and less of it, doing the same or more work. In just three years your GM Diesel will save about \$1725—more than enough to pay for itself in fuel savings alone.

And in a GM 2-cycle Diesel you get an engine that accelerates faster—does more work per day—because it delivers power on every piston downstroke. You get a Diesel designed for fast, low-cost maintenance and backed by a widespread network of GM Diesel distributors.

You can get General Motors Diesel power in more than 750 different models of equipment built by over 150 manufacturers. Write direct for the list. Or get it from your GM Diesel distributor and find out firsthand the savings you'll make with GM Diesel power.



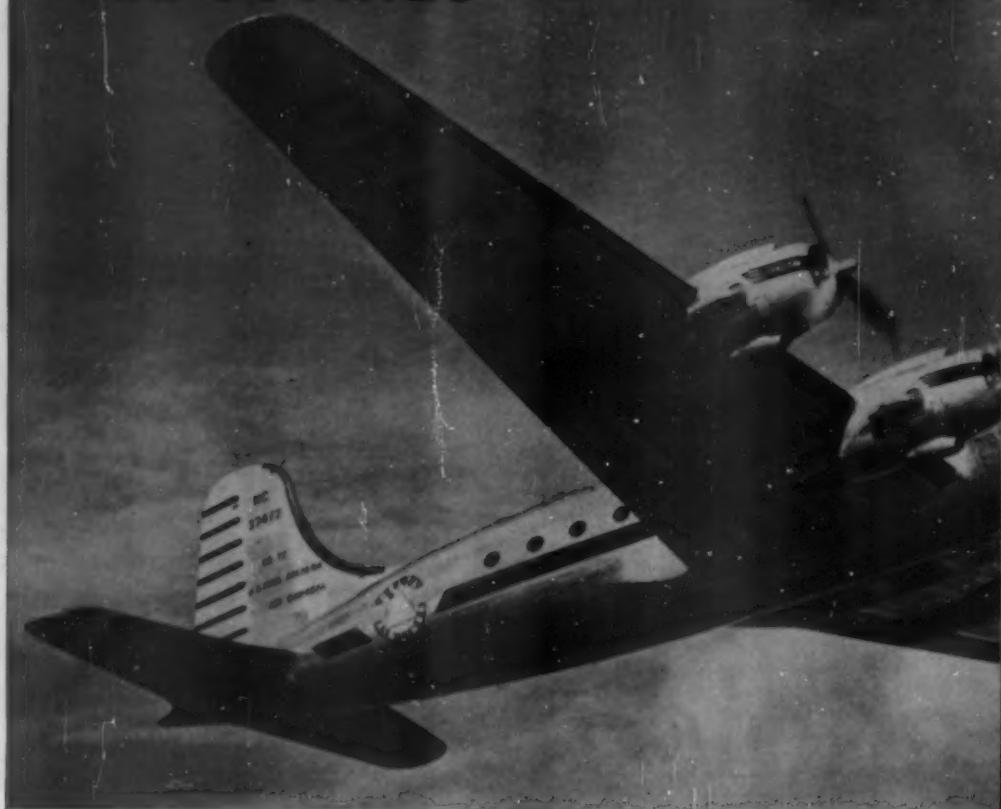
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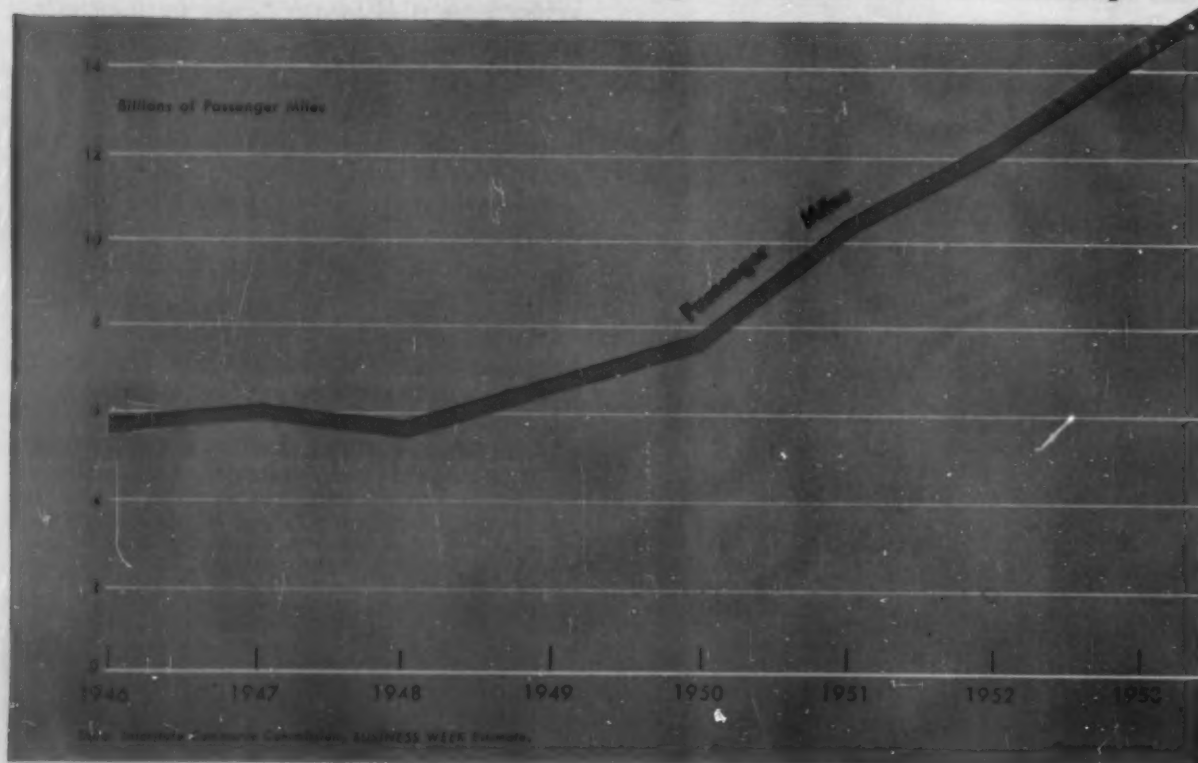
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INDUSTRIES



Air Travel: Heading Into the Steepest





Climb Yet

The boom in air travel that sends the line in the chart bursting right through the ceiling is doing more than carry the airlines up among the stratospheric figures in passenger miles. It has also pulled them out of their period of growing pains into a new age of stability and maturity in the over-all transport picture. They are cashing in on what they put in during leaner years.

You see the change in many ways. Some of the most striking:

- The airlines are rapidly moving into a key spot among common carriers (trains, buses, planes). In 1946, airlines hauled only 6.5% of the nation's travelers. By last year that figure had jumped more than four times, to 28.2%. This year it's estimated that one out of every three people traveling by other means than automobiles (better than 33% of them) will be on a plane.

- The old equipment scramble, when all the airlines bought new planes in periodic batches and threw them out when the new model came along, has settled down. Airlines still have to keep up to date on equipment—and executives still grumble about speedy obsolescence. But now they do their buying on regular, scheduled basis, in

much the same way that railroads plan their equipment expenditures.

- **Peaks**—The equipment is getting more expensive all the time, it's true. But airline revenues are climbing right up the chart along with the passenger miles. To see that, you only have to take a look at what happened in first-quarter 1955.

In the matter of revenues, the first three months of the year usually loom up ahead as a black cloud. But this year something happened—the cloud just vanished out of sight as record crowds of passengers jostled their way aboard the planes. For the first time in the industry's history, airline executives were able to unfasten their financial seatbelts, light cigarettes, order fleets of new planes, and soar smoothly over the traditionally turbulent revenue months.

The Air Transport Assn., spokesman for the industry, chalks up two first-quarter records:

- 4.3-billion passenger miles for the 13 major lines—a 45% rise in coach travel, 20% in first class (the over-all figure about half way between).

- A first-quarter passenger total topping the previous fourth-quarter figure.

- **Feeders, Too**—The urge to fly wasn't confined to any particular spots on the map. In fact, the 15 local service lines—operating on temporary certificates with mostly two-engine equipment—did even better than the trunk lines, coming out of the first quarter with an over-all 40% increase in passenger travel. Central Airlines (Texas) led the pack with an amazing 157% jump in business.

This showing by the local lines was a major factor behind their welcome into the industry last month on a permanent basis. Pres. Eisenhower signed a bill giving to the 15 feeder companies the same permanent certification that the major carriers have.

- **On and On**—Nor was the first-quarter flying fever just a temporary flash. Airlines report that second-quarter passenger miles—and revenues—are keeping up the fast pace. They see the speedup gathering momentum through the summer vacation months—and whatever happens in the fall, they're sure 1955 as a whole will top anything the airlines have known before.

As it is, airline terminals are getting to look more and more like bus stations, with crowds of women and children joining the veteran air travelers and businessmen.

- **Tapping New Markets**—Airline regional salesmen see two kinds of travelers contributing most of the tremendous increase in passenger volume.

- **Businessmen** are flying this year in greater numbers than ever. This

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Dangerous? Obviously so, and you take precautions. But not so obvious, and just as dangerous, are the hand hazards that threaten the average industrial worker. Plant men the nation across—realizing the importance of hand safety to productivity—protect workers' hands with Jomac® Work Gloves. Made from tough, resilient fabric, Jomacs cost less because they wear longer and can be cleaned over and over. Our new catalog shows the right glove for your workers, whatever their job. Write for it today.



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Problems and progress go hand in hand. In industry, as elsewhere, getting ahead means getting over the hurdles — quickly, economically. Skuttle solves humidity and condensation problems. Recent examples found in cigar and refrigeration industries. Let Skuttle's engineering imagination help solve your moisture problems.

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• **STAXON STEEL** gives you easy-action drawers—quick access to records. Each corrugated fibre-board unit is complete with factory applied steel framework for sturdy support in rear and front. Interlock side-by-side and stack to the ceiling to save space. Letter size illustrated—\$4.70 per unit, slightly higher south and west.

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boom is the product of aggressive competition. More companies are sending salesmen and executives out into new market and production areas. And many businessmen who took a wary view of air travel in winter have had their minds changed by increased scheduling, better equipment, and last year's outstanding safety record. But though more businessmen are making their trips by air, they are losing ground, percentage-wise, to the second group of new air travelers.

• **Vacationers** on a low income budget have been pulled into the airports in lengthening streams by such things as around-the-clock air service, package tours at off-season bargain rates, and fly-now-pay-later plans. A working man who once could get to distant spots only by bus or train can now take his family to a foreign country, be back at work promptly at the end of his two-week paid vacation—and pay for the jaunt in 20 monthly installments (BW—Apr. 17 '54, p. 66).

How the low-income air travelers are crowding into the planes stands out clearly in the first-quarter statements furnished by the airlines to the Civil Aeronautics Board. The usually dry figures tell the story of a dramatic shift. American Airlines, for example, hauled 700,200 first-class passengers—a meager 8.2% over 1954. But it added 230,860 coach travelers—a record 56.4% jump over the 1954 period.

The story for United Air Lines is the same. United, a late starter in the coach field, upped coach totals by 58.4% to 217,000.

• **Loads and Profits**—The passenger flood has done two other things to the books of the airline companies. It has turned the flow of red ink into black—or where there was already a thin black line of figures, that line is getting fatter. In the second place, it has put on the books of almost all the major lines a string of orders for more equipment to meet the increasing demand.

Numbers of passengers, in themselves, can sometimes be just a headache—as a lot of commuter railroads are fond of saying. But airline executives say their increase in passengers has already loaded up the new equipment put in last year—and this makes for higher load factors and higher profits. Stepping up the load factor (total passenger miles in relation to available seat miles) by just a few percentage points makes a tremendous change in the balance sheet.

Take United. Its first-quarter load factor went up from 62.2% in 1954 to 64.5% this year. That doesn't sound very exciting. But translate it into dollars and here's what you have: a \$1.7-million loss in first-quarter 1954—a \$465,801 profit in first-quarter 1955. A similar increase in load factor for

American Airlines comes out as \$2.5-million in net earnings this year against \$746,000 in 1954's first three months.

Capital Airlines' books showed a similar transformation: \$301,142 net profit for first-quarter 1955, against a \$710,940 loss in the same period last year. Some of the increase, however, came from the sale of old equipment to make way for 60 new turboprop Viscounts on order from England. The new planes will start flying some time this summer.

• **Equipment Shifts**—Capital decided on the shift to Viscounts long before the winter passenger boom (BW—Jul. 3 '54, p. 42), and it's keeping close watch on Trans-Canada Airlines' Viscounts, in service since Apr. 4 from New York to Toronto. TCA reports the flights have been running at a 98% load factor, and one more Viscount had to be added to the original five; TCA says passengers like the comparatively noiseless, vibrationless ride, and the picture windows.

There have been other switches, too, in the race to get the planes in faster than the other fellow. Eastern Air Lines, a long-time user of Lockheed's Constellations, switched to Douglas DC-7s (the first of 20 will go in this summer). Word in the industry is that National Airlines' DC-7s were beating Eastern's Connies into Miami from New York, and National was luring away some of Eastern's passengers. (Nevertheless, Eastern carried 1.7-million passengers in first-quarter 1955—23% over last year, more than any other airline in the world carried during the period. National did well, too; it boosted operating revenues to \$16.2-million, 26% above last year.)

• **New Orders**—Just about all the lines—major and minor—have new orders in, and they're sticking largely to conventional equipment.

• United has a \$65-million order for DC-7s and DC-6Bs.

• American has ordered 14 DC-7s.

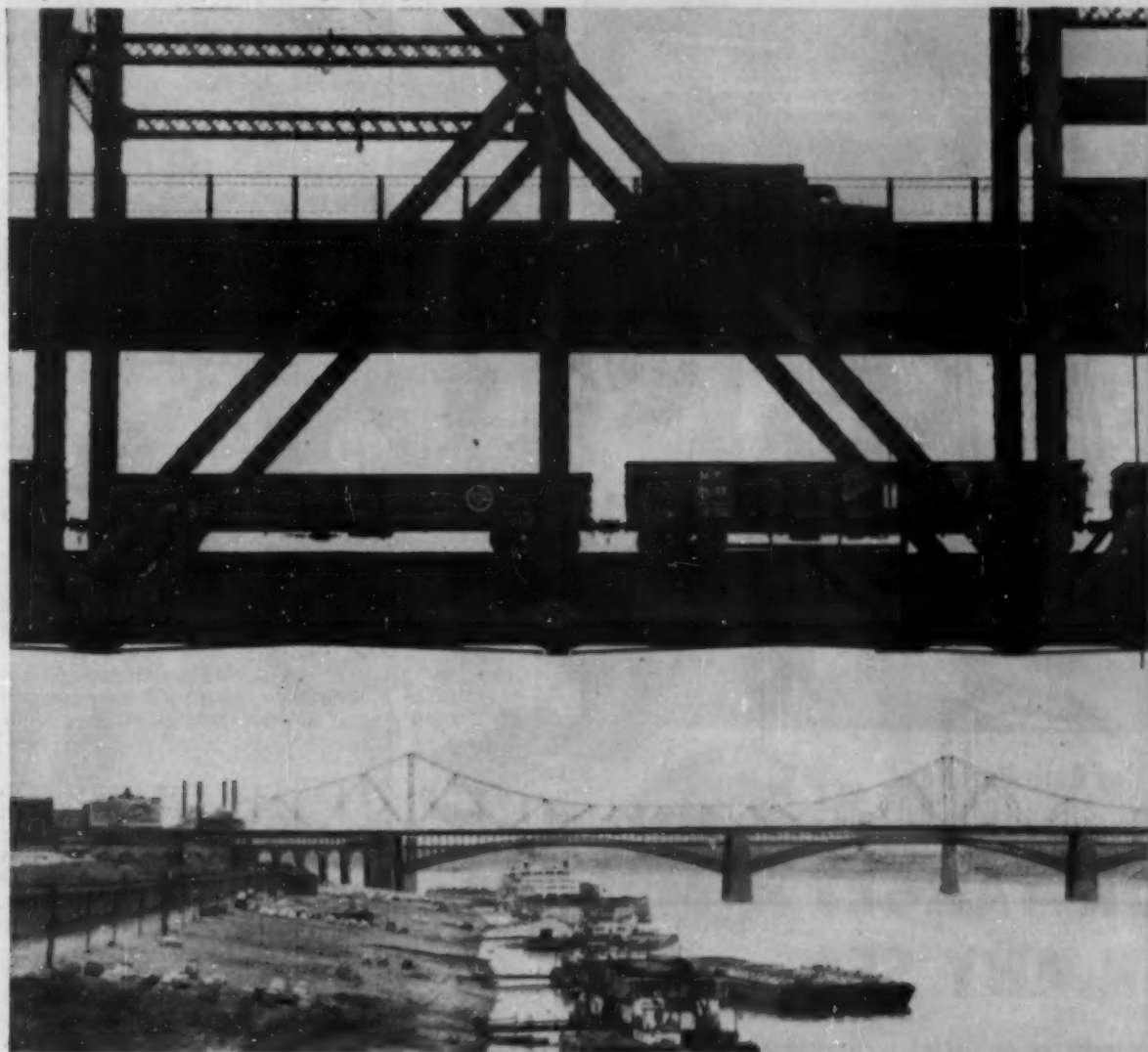
• Trans World Airways will have 30 new Super G Constellations in service by 1957 (a few are flying now).

• Pan American World Airways has DC-6Bs and DC-7s on order—even though it will likely be one of the biggest buyers of jets when they come out.

• British Overseas Airways Corp. has ordered 10 DC-7s—though it will be obligated to buy British Comet jets when they get rolling again.

• North American Airlines will stick to the DC-6B, which carries a fat payload of 102 passengers (no mail or freight). It ran this spring with a fleet of four DC-4s and two DC-6Bs. Three more DC-6Bs will be delivered this year. (The line argues that a DC-7, costing half a million more than a DC-6B, shaves only 40 to 50 minutes

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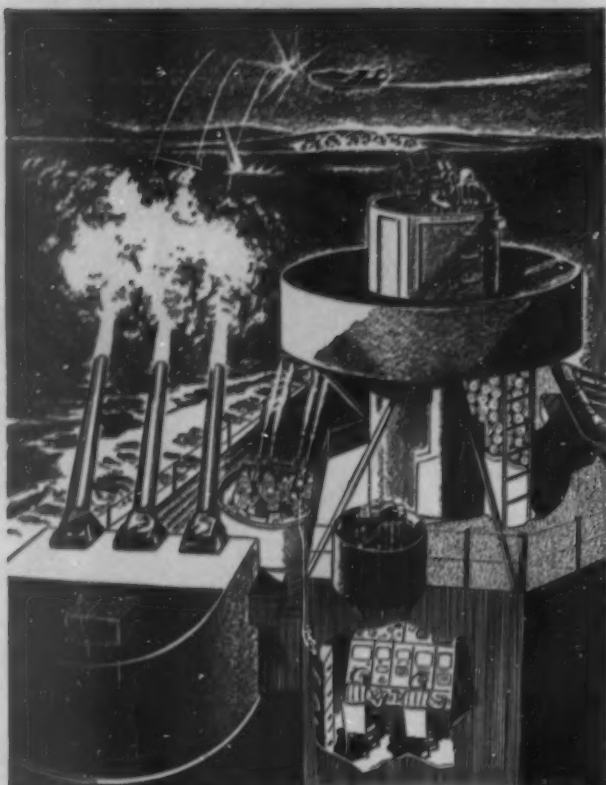


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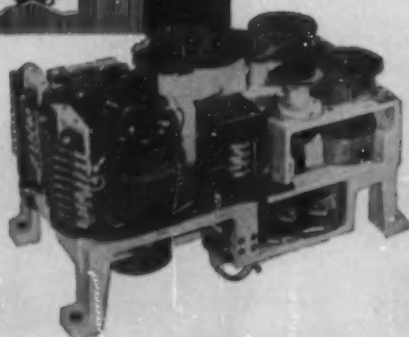
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off coast-to-coast flight time, hauls only four more passengers.)

• **Headaches**—The rush for new equipment gives airline executives other headaches besides the fast obsolescence problem. On that, one executive says, "It's almost like women's clothes—you have to keep up with the spring styles."

Right now, the headache that's coming on with the new fleets is a pilot shortage. Airlines are beating the bushes for more pilots. Time was when a pilot had to have 1,000 to 2,000 hours in his log to fly with an airline. Now that's down to as low as 200 hours, and some lines will even train their men from scratch.

• **Costs**—And, of course, there's the matter of costs. As the planes fly higher and faster, the airlines have to dig deeper into the cash box to pay for each new model. When the DC-6s came out, they cost around \$685,000. With the DC-6B, the price was upped to \$1.3-million. The DC-7 jumped to \$1.9-million. Now the coming DC-7C will cost something like \$2.3-million.

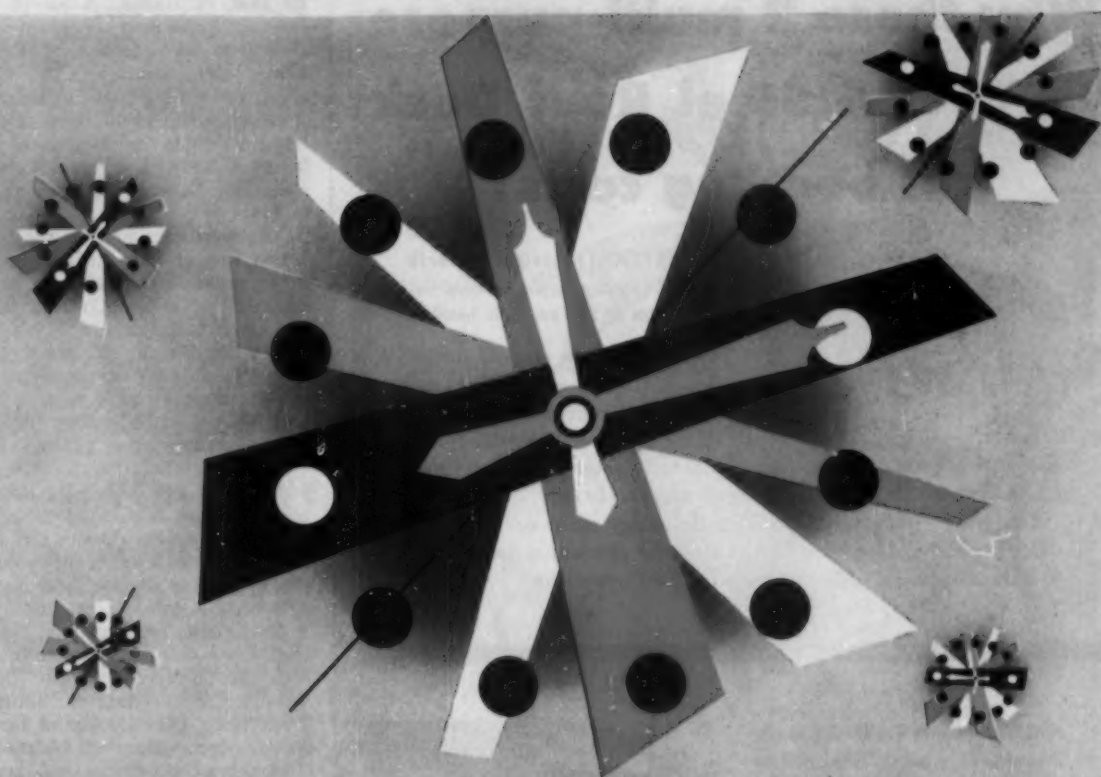
Sometimes the line can make a deal with the manufacturers. Capital, for its Viscounts, made such a deal with the makers, Vickers-Armstrongs and Rolls-Royce, for a small down-payment and monthly installments over a 60-month period as the planes are delivered.

Eastern Air Lines gets money for its new planes by a fast write-off (four years). Capt. Eddie Rickenbacker, Eastern's chairman, says: "This short depreciation is necessary because of rapid obsolescence of plane design. . . . We don't want to be caught with out-moded planes on our books."

• **Local Hunger**—Now the big trunk lines are finding a new angle. They can often sell used equipment at a premium—sometimes for more than they paid for it. Most foreign lines and local feeder lines need equipment badly. They can't wait out the delivery time on new planes, so they buy up the big airline's castoffs. Right now, most of the feeder lines use DC-3 twin-engine, 24-passenger planes, but are converting to Convair and Martin twin-engine, 40-passenger aircraft being discarded by the bigger lines.

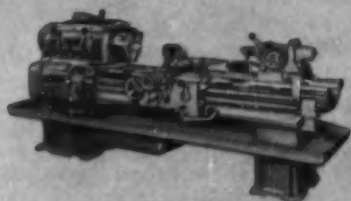
The local lines are hungry for extra planes because they've opened up new route networks with many more daily scheduled flights. One example: North Central Airlines put on an hourly round-trip flight, Chicago to Milwaukee, for business commuters, cashed in with a 38% jump in passenger revenues. Another feeder, Allegheny Airlines, kept up a full flight schedule through the winter (instead of the usual cut in half), found it paid off in a 26% revenue boost.

• **Promotion**—It takes some selling to



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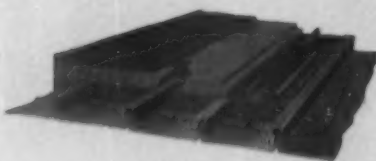
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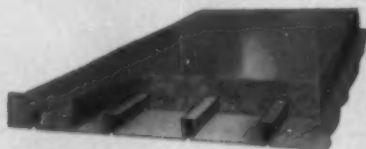
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do that, of course. A lot of smaller lines are promoting off-season vacation jaunts to such resorts as Rehoboth Beach, Del., Saratoga, Cape Cod, ski areas, and fishing spots. Alleghany Airlines whips up small town trade with free rides on an "aviation day," Chamber of Commerce flights, baseball specials, Boy Scout excursions to Washington.

The local lines go after the businessmen's market, too. More and more businessmen find they can get in a day's selling in another state and still get home to dinner.

The local men are also keeping a sharp eye on such developments as the convertiplane (which uses helicopter take-off, standard plane flight for speed), vertical rising planes, and new 40-passenger helicopters. One local service line executive sees this possibility: A plane that could carry passengers from downtown in one city straight to the heart of another city would put the local lines in the same passenger volume class with the majors.

• **Air Coach Specials**—The expanding all-air-coach companies are keeping pace with the procession. North American Airlines (all coaches, on limited authorization) reports a record first-quarter passenger volume of 52,700—nearly 60% above the previous peak last year. The line attributes this success to its low rates—a \$10 to \$40 saving on its coach tickets (with meals served) over the major airlines' coach tickets (without meals).

North American, however, faces a CAB threat to put it out of business (BW—Apr. 9 '55, p. 28). The CAB says North American is flying without proper certification. North American applied for permanent certificates for four routes (all in the hearing stage). But the company ordered new planes on the theory that, if it did have to drop air coach, the planes can be used in the charter and leasing business.

• **Jets Ahead**—Several airlines see the next step as a move into jets—probably to DC-8s or a commercial version of Boeing's 707 military jet first. At present, Boeing is tied up in military commitments and cannot yet name a price or delivery date for the commercial 707.

But by the time the jets do arrive, the airline forecasters say, the travel routes and habits of the world will be predominantly airborne. Within five years, they predict, more than 60% of all common carrier passengers will travel by plane, instead of by train or bus. Says one official:

"By 1960, the working man and his family will be flying all over the world on two-week package excursions, and he'll be paying for it in monthly installments along with his TV set and his car."

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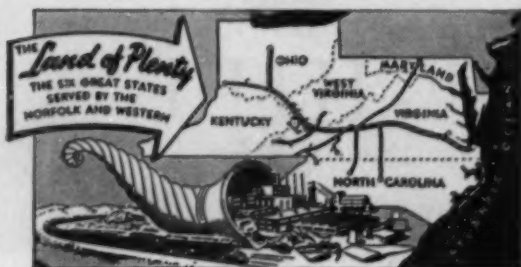
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Hans is a natural for this job. A native New Yorker—he started as copy boy with the old New York Commercial back in 1904. By 1910 he was reporting N. Y. Produce Exchange prices. From 1912 to 1923, when he joined McGraw-Hill, he was acquiring more pricing experience with Oil, Paint and Drug Reporter and with Chemical, Color and Oil Record.

In 1930, Engineering and Mining Journal began publishing Metal and Mineral Markets and Mr. Wanders became its Market Editor. Ever since then, he has pored over sales reports, cables and news releases . . . and has maintained the most rigid standards of accuracy and integrity in reporting metal prices. It is a tribute to him that no other publication or information source occupies a position of similar trust in the entire industry.

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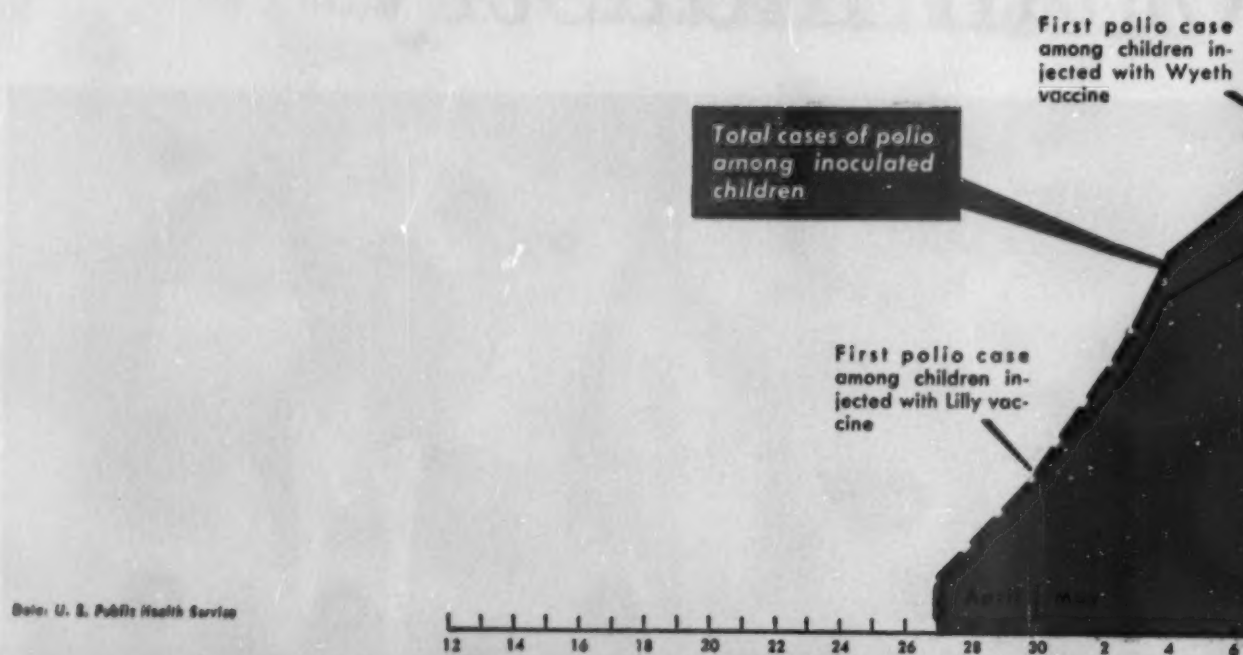
of an industry



MEDICINE

Box Score of the Polio Controversy

(as of May 25, 1955)



Data: U. S. Public Health Service

Here are the key dates

April 12—Vaccine reported safe and effective; six manufacturers licensed, by National Institutes of Health to make it.

April 14—Supply and distribution of vaccine becomes a national concern; manufacturers called to Washington.

April 16—First shots given in schools.

April 23—Commercial sale of vaccine stops.

Salk Vaccine: What's Behind the

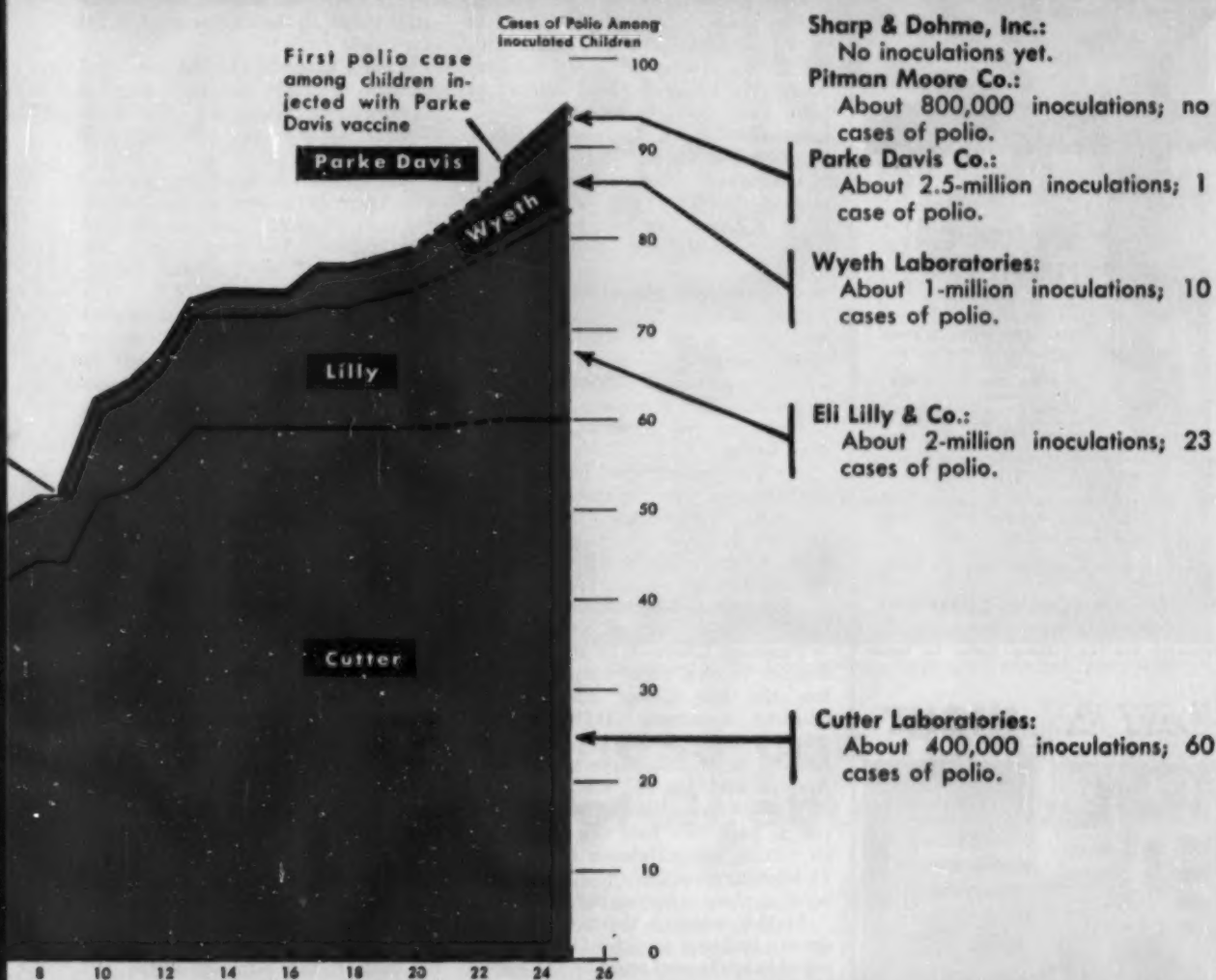
"Should we go ahead with the children's inoculations?" That was the question you heard everywhere this week—on commuter trains, in supermarkets, in executive offices. The nation, which a mere eight weeks ago (see chart) clamored with one voice for the Salk vaccine, now is skeptical.

The faith of the reading, listening, and watching public has been severely shaken. The delays in school inoculation programs, the starts and stops in vaccine production, the cloak-and-dagger meetings in Washington, the recurring rumors that Secy. Oveta Culp Hobby would resign—all this has raised

doubts. Nobody seems to be giving a straight answer. It has the look of a cover-up.

I. Is It Safe?

This week, in the words of Dr. Jonas Salk, "the fog is beginning to lift."



April 27—Six cases of polio reported among children inoculated with Cutter vaccine; Cutter vaccine withdrawn.

May 8—Dr. Leonard Scheele of Public Health Service recommends temporary suspension of inoculation programs pending reappraisal.

May 11—Field review by government scientists begins at Parke Davis Co.

May 13—Parke Davis vaccine released following reappraisal.

May 15—Lilly vaccine released following reappraisal.

May 25—Vaccine producers agree to new manufacturing and test standards.

©BUSINESS WEEK

Story of Confusion?

After weeks of heavy-handed stalling for time, the Public Health Service has finally got around to the point. It now appears that this basic question—is it safe?—has not one, but several answers:

- If you asked about the vaccine that Dr. Salk developed for his own

tests in Pittsburgh and the one used last year by the National Foundation for Infantile Paralysis, the answer would be "yes." It is safe-remarkably so. Last year's field trials proved that conclusively.

- If you asked about the vaccine produced by Parke Davis, Eli Lilly,

Wyeth Laboratories, or Pitman Moore, the official answer would again be "yes"—but a more hesitant yes. Surgeon General Leonard A. Scheele of the Public Health Service has stated that the "incidence of poliomyelitis in children receiving the vaccine of these manufacturers is within the range of expectancy of polio occurrence from natural causes and indicates that the vaccines used have been safe."

- If you asked about two lots of



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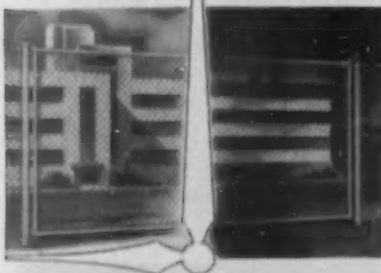
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vaccine out of nine released by Cutter Laboratories (BW—May 28 '55, p. 32), you would run into what Dr. Scheele called "strong presumptive evidence that there was a cause and effect relation between cases of paralytic poliomyelitis" and the Cutter product. Roughly one out of every 6,000 children inoculated with the Cutter vaccine developed paralytic polio. An unusually high number of polio cases also developed in households where one member of the family had been inoculated.

• **Theories**—It is becoming increasingly evident that the question the inner circle of experts has been trying to answer during the last month is this: What evidence besides statistics is there to prove the two suspect lots of Cutter vaccine contained live viruses? And they were trying to get the evidence without unduly alarming the public or making false accusations against a highly reputable pharmaceutical house.

There are two theories about what went wrong:

• The vaccine may have become contaminated after the tests.

• A live virus near the center of one tiny cluster of viruses may not have been "killed." This might account for the fact that no more than one case ever was reported among children inoculated from the same 9-cc. vial.

• **Thorough Check**—NIH started to re-evaluate its own safety tests a week before the first Cutter case was announced. Apparently NIH was worried; none of the four batches of vaccine received from manufacturers between Apr. 20 and Apr. 27 was cleared by NIH until the reappraisals in mid-May (chart, page 90). Ever since the Cutter vaccine was withdrawn on Apr. 27, 14 laboratories across the country have been carefully retesting the product.

At this moment the trade feels it doesn't look too good for Cutter. One report—already confirmed by the Public Health Service—is that a monkey injected with Cutter vaccine in a Utah laboratory died—apparently of polio.

• **Industry Beef**—No one can quibble with the Public Health Service and its research arm, the National Institutes of Health, for stopping distribution of a suspect vaccine. It has the right and duty, legally and morally, to insure the safety, potency, and purity of all drugs passed in interstate trade. The not-too-well-concealed beef of the drug industry, however, is this: Does NIH have the right to hold up a whole industry without a direct accusation that the vaccine of more than one manufacturer is suspect?

The controversy is still so confused with side issues that it is difficult to say whether the Cutter vaccine has been the basic question from the start or whether the vaccine in general has been under suspicion. If the latter is the case,

some are asking why NIH licensed the manufacturers to begin with.

Four major companies have been producing the stuff since 1953; NIH scientists are in and out of their plants all the time. In addition, NIH separately tested all the vaccine used in last year's field trials.

• **What Changes?**—The question then becomes: Are there differences between manufacturing vaccine for 400,000 immunizations and mass producing millions of doses?

Mass production usually raises visions of an assembly line type of manufacture. But such a system is not possible with tissue culture. You have to grow the viruses in small bottles. Mass production just means more bottles.

• **Plant Tests**—In the large manufacturing plants safety is, of course, a constant concern. When you consider that Eli Lilly, for example, makes 1,800 microscopic inspections on every lot of vaccine, it's difficult to see how you could do much more testing without hitting a point of diminishing returns.

II. Too Many Experts

A lot of medical researchers are smugly saying "I told you so" this week. Most of us are gifted with 20-20 hindsight, and doctors are no exception. They look back at the press coverage on the Salk story and shake their heads.

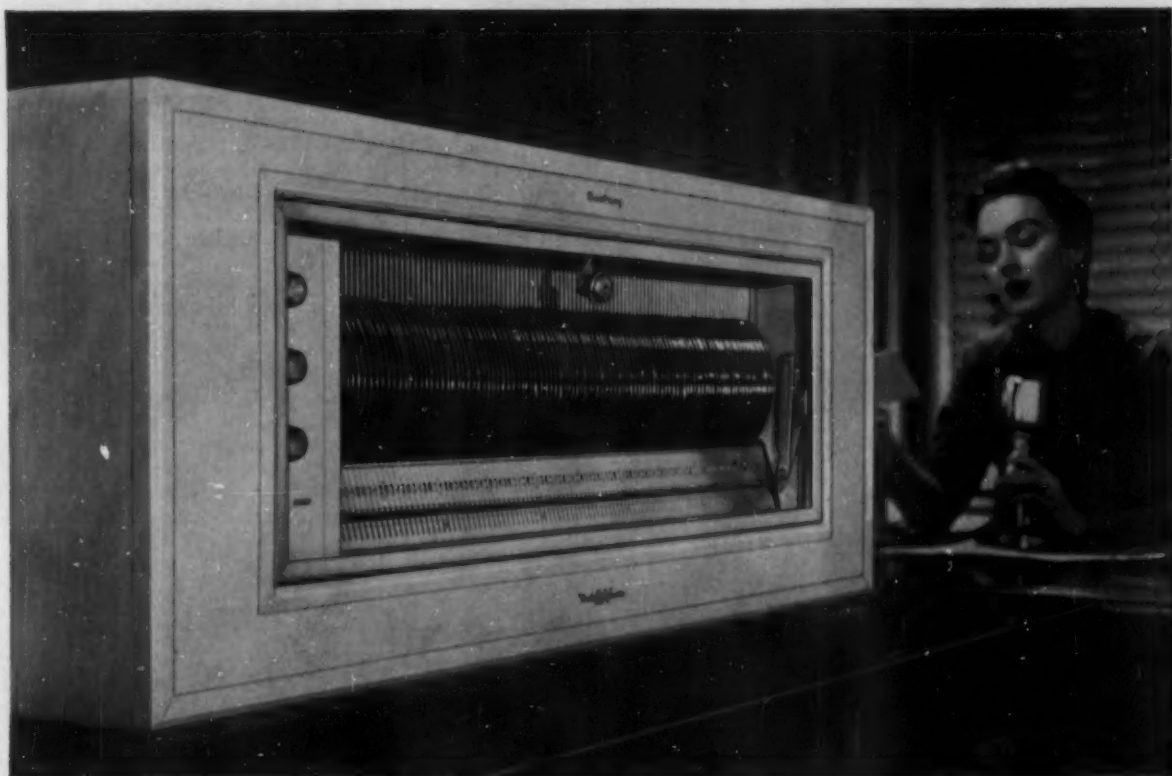
Many of them feel—and frankly state—that Salk's work was not ready for widespread public display. Salk, they admit, was an extremely competent researcher, but the news, they say, should have come out slowly through normal medical journal channels. That would have given specialists a chance to study all eventualities.

While they can cite numerous historical precedents, they overlook one thing: The Salk vaccine was born—for most practical purposes—in the public domain. Millions of Americans contributed to its support through the March of Dimes, and millions participated in the 1954 field trials. It wasn't the kind of research that could be hidden under a bushel.

• **National Foundation**—There has been a great deal of talk about steamrolling this year's program through. And many fingers are pointed at Basil O'Connor of the National Foundation as Steam Roller Operator No. 1.

If there's one word that describes O'Connor it's "direct." His aim is to prevent as many cases of polio as possible. He foresaw a tremendous demand for the vaccine and a chance to prevent thousands of cases of polio if people could be inoculated before another polio season began. There's no question that he was anxious to get started.

• **Obstacles**—Once the vaccine had



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been licensed, the National Foundation wanted to get the show on the road. It was the culmination of 17 years of research and hope. But the foundation ran up against two deterrents in taking a firm hand:

- This year's program could no longer be called an experiment. Last year's standards had been set by the chief experimenter, Dr. Salk. This year's standards had to be set by the licensing agency, National Institutes for Health. There's a loud rumor in medical circles that NIH is still peeved with NFIP for forcing it into a subordinate testing role last year.

- NFIP is a fund-raising outfit. Most of its funds go for care of polio victims. It will have to continue to raise money for this purpose, so it can't afford to antagonize anyone. Doctors, particularly, have to be handled with kid gloves because many of them already feel that NFIP is a step toward the dirtiest word they know—"socialized medicine."

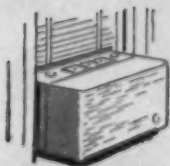
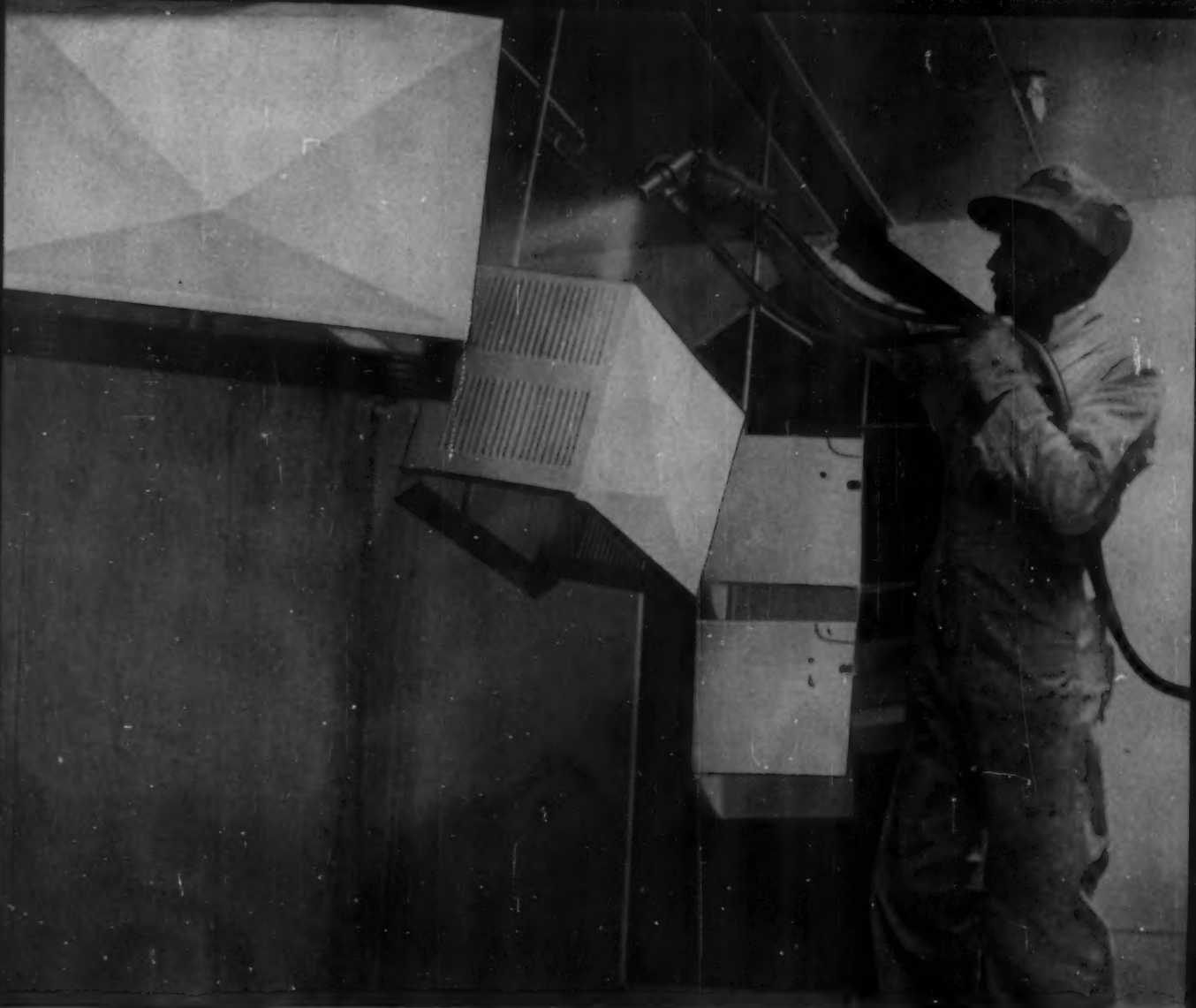
- Local Doctors—A large segment of the medical profession is opposed to mass inoculations in principal. These doctors feel that injections can be dangerous when children are lined up and hurried through. They prefer to work with individuals whose background they know and to make a prior examination of the person to be injected to see if he is physically fit to get his shots.

It's from this group that much of the concern about "triggering effects" has come. There is a theory that injections—in fact any deep piercing of the skin—may be enough to arouse latent polio viruses that might otherwise be taken care of by normal body processes. This is still a research area, but sometimes paralysis does develop in the area of the injection and this gives weight to the theory.

- Live Viruses—The delays in this year's polio program have provided an opportunity for researchers on "live virus" vaccines to get another word in. There's a very vocal group of medical researchers who have never accepted Dr. Salk's "killed virus" technique. Other vaccines use live but attenuated disease producers; with the smallpox vaccine, for example, you are actually given a mild case of smallpox.

The live virus group contends that a vaccine against polio will be 100% effective only if a way can be found to attenuate polio viruses to give you a mild case of polio, from which you develop later immunity. Much research is going on in this field.

- Dr. Salk—All through the current controversy, an extremely important factor has been Dr. Salk himself. He has, of course, constantly reaffirmed his faith in the vaccine. But he is also concerned about making his vaccine 100% effective. He feels that our



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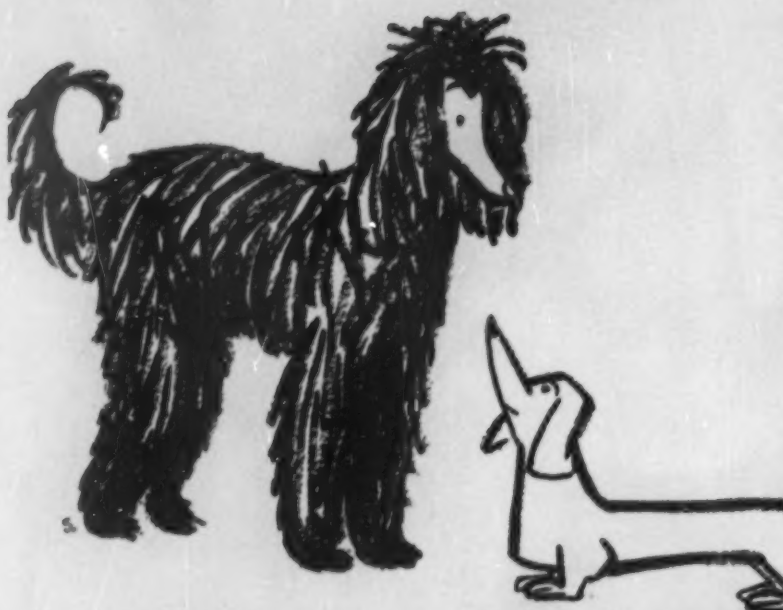
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growing knowledge about immunization indicates that dosage may be all important. He has been experimenting in Pittsburgh with various sizes of shots at various intervals. He feels that 100% effectiveness may hinge on finding the correct combination.

III. From Here On In

It's not likely that the many interested parties who have moved into the breach will immediately fade away. It seems much more likely that the various interests will capitalize on public dissatisfaction to expand their beachhead positions. The polio controversy is far from over.

• **Supplies**—The vaccine producers have accepted with good faith new manufacturing and testing standards set by the government. Nevertheless, there will probably be a further slowdown in production while they make minor changes. The rapidity with which the vaccine of Parke Davis and Eli Lilly, the two largest producers, was reappraised indicates that their operations at least must be very close to the standards the government has in mind.

The Public Health Service has said that in "major substance" the procedures of all producers follow the same pattern. Last week's orders seemed to be more a matter of interpretation, than of higher standards or anything really new. The biggest item appears to be an expansion of "spot checking" of vaccine once it has been put in vials.

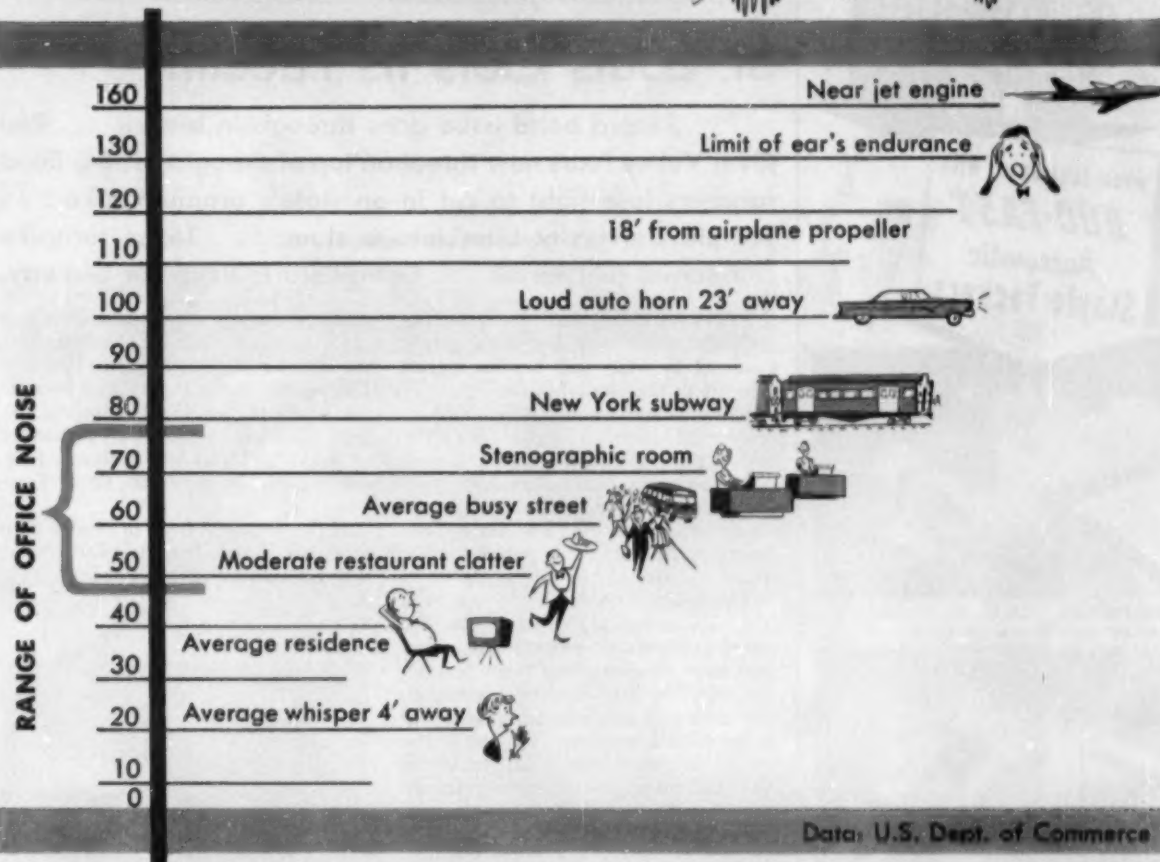
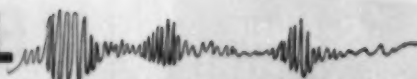
There was still some doubt early this week when the first of the new vaccine would be available. Eugene N. Beesley, president of Eli Lilly, reported that most of the 2-million doses currently in stock at this company's plant could be ready by mid-week and that about 25-million doses would be ready by July 25. Then it would still have to be approved by Dr. Leonard A. Scheele after recommendations by the government's clearance panel. The other producers had made no firm predictions.

Supplies this summer will clearly fall short of expectations reported a few weeks ago. But demand has fallen off too because of the controversy.

• **Devison**—Nobel Prize winner Dr. John F. Enders gave as good a frame of reference as any on the safety of the vaccine and the question of whether to have the children inoculated. Dr. Enders, a forgotten man in the current controversy, developed the tissue culture technique that laid the practical foundation for Dr. Salk's work. At a Massachusetts Medical Society meeting he told a local health official: "It's like deciding whether you want go up in an airplane. You know there's some risk. You decide if you want to do it."

(Advertisement)

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Carpet, which was once found only in executive offices and conference rooms, is showing up in the steno pool, the billing department and other employee work areas.

The reason: noise causes fatigue, resulting in office errors that cost money all down the line, and carpet prevents noise.

How Much Noise Annoys — Noise ratings in average offices run from 45 to 70 decibels of sound intensity (see chart). The average businessman's office is at the 45 decibel level. In open sections where desks are separated by only a few feet of space, noise can reach as high as 55 decibels under normal conditions. A busy stenographic room will score 65 or 70.

Carpeted floors, more than any other, reduce the noise level in any area. Carpet eliminates virtually all floor noise, producing a marked reduction in office clatter. Furthermore, carpet acts like a sound blotter to absorb the chain of echoes that bounce from wall to wall and off hard surfaces.

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REGIONS

St. Louis Gets Its Facelift

Record bond issue goes through in breeze . . . Red River Valley fears new threat on top of drought . . . Big Bend ranchers lose fight to cut in on state's uranium take . . . Temple University bites into a slum . . . Texas turnpike companies join forces . . . Detroit starts fixup for Seaway.

ST. LOUIS—By an overwhelming majority, voters here last week gave a go-ahead to what will be the biggest face lift in the city's history.

In the climax to one of the most intensive campaigns in local history (BW—May 21 '55, p112), all 23 propositions in the record \$110.6-million city bond issue carried by margins ranging from about 3-to-1 to 7-to-1. For Mayor Raymond R. Tucker, the voters' action meant "a new era for St. Louis."

The package that citizens approved will put some \$43-million into the street and highway system; \$36-million into slum clearance and rehabilitation; \$18.8-million into new city buildings; the remainder into new equipment and fixups for old buildings. On top of the city's \$110.6-million, an estimated \$559-million will be added from federal and state funds and from private capital. Out of this, St. Louis hopes to achieve a reprieve for downtown—and rescue it from the postwar threat of spreading blight and congestion.

By early this week, the hope was that work on some of the projects could be started before the end of the year.

MINNEAPOLIS—The threat of a poor crop year in the Red River Valley—because of drought—is being added to by a buildup of grasshoppers.

Farm experts say the hopper situation "is about as bad as it has been in many years." The hatch, beginning in mid-May, was earlier than usual and particularly heavy in certain areas. Meanwhile, lack of rain has slowed up seed germination, and subsoil moisture is short. In the cities, St. Paul and Minneapolis both have had to impose water restrictions.

NEW YORK—With seemingly little chance of financing two private toll roads in Texas, the state's two turnpike companies have decided to try for one.

Last week, the Sam Houston Turnpike Corp. and the Texas Turnpike Co., both private corporations, an-

nounced an agreement under which only one road will be pushed—from the Dallas-Fort Worth area to Houston. This is the project that has been in the hands of the Texas Turnpike Co. Sam Houston, which was authorized to build a Dallas-San Antonio road, will give up its rights to Texas Turnpike.

Both companies tried to finance their roads last winter, but their bond issues are still unsold (BW—May 28 '55, p88).



PHILADELPHIA—Boxed in by slums for years, Temple University this week could finally see some open space around it—and a prospect for getting some of the new buildings it needs so badly for its 20,000-plus students.

The school, in the heart of what has been called Philadelphia's No. 1 slum district, has been up against an acute space cramp since the end of World War II. Five years ago, the pinch became bad enough for it to consider pulling out of downtown; it bought 85 acres in suburban Chestnut Hill with that in mind. But in the end, Temple decided to stay put, mainly, says President Robert L. John-



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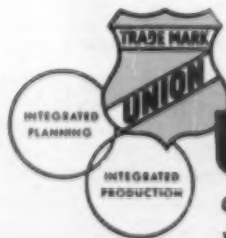
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son, "because we felt we were running away."

At this point, Temple has been given eminent domain over a 32.5-acre tract that borders the university on three sides. A site has been cleared for a new, three-story, 50-room classroom building (picture), and the school hopes to start demolition for a new women's dormitory by early fall.

But the work has gone slowly, and cost has been high. Although the university area is also the site of an urban renewal project under the federal government's program, Temple's own 32 acres are not part of the project. It has had to rely on its own money to buy up the existing slum houses. All told, the school figures it will have to spend \$35-million on its rebuilding—and the job may stretch on for 10 to 20 years.

DETROIT—The go-slow approach that Detroiters have taken toward the St. Lawrence Seaway (BW—Mar. 5 '55, p. 56) has had its first change of tempo.

Last week, Detroit Marine Terminals was set to go on a \$6-million expansion that will more than double its general cargo space and increase its berths for ocean-going vessels from two to six. Completion target for the program is 1960. But if the Seaway shows signs of bringing more traffic than people here now expect, the job can be speeded up by two years.

AUSTIN—West Texas ranchers lost their battle to get uranium rights on 7.4-million acres of land in the Big Bend country.

The state sold the land to the ranchers years ago, but sold it without mineral rights. Later, when oil development began in west Texas, the legislature decided to let the ranchers have half the state's share of royalties, rentals, and bonuses—provided they acted as the state's leasing agent. Through the years, the deal has meant millions of dollars for ranchers' pockets.

This spring, Big Bend cattle owners asked the legislature to give them the same deal for uranium and other hard metals. Prospectors, the ranchers insisted, were swarming over the ranges like picnickers, cutting fences, and sometimes using their uranium permits as a big game hunting license. And under the present leasing system, they said, there was no way to stop them.

This time the legislature turned out to be unsympathetic. A bill did get by the House giving the ranchers not a half, but a quarter, share in uranium royalties. A Senate committee, though, whittled it down to a 1/8 cut and then, in a vote, failed to send even this to the Senate floor.



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ARTHUR O. DIETZ, CIT president, combines economics with intuitive money sense, lends billions on theory that "The little man pays his debts."



HENRY PITTLESON, JR., executive vice-president and son of CIT founder, works closely with Dietz, will probably take over when Dietz steps down.

Prosperers

are voluntary." How tough the collections crew is depends largely on local conditions and the attitude of the customer. And C.I.T. would rather get the customer paying again than repossess the car.

C.I.T. figures generally that the level of consumer credit isn't dangerous at its present mark of 11.7% of disposable income. The great bulk of the debt is concentrated among the younger families in the \$4,000-\$7,000 income group. A common measure of the health of an individual's debt situation is that installment debt shouldn't be more than 15% of income. But C.I.T. doesn't stick to this, figuring each case on its own merit, or lack of it.

Because of its size and influence, what C.I.T. thinks about consumer credit levels is important. In its position as the country's largest independent finance company—only General Motors Acceptance Corp. is bigger—C.I.T. has been likened to a small-scale commercial banking system.

C.I.T. can expand or contract credit, and has various means at its disposal to do this. For instance, in a recession, C.I.T. theoretically could ease up on terms, and make it more attractive for consumers to borrow. If it thought credit was too easy, it could do just the reverse, and cause a contraction in installment buying.

• **Slow on Restraint**—But in reality, C.I.T. doesn't act like a central bank at all. Its earnings are tied directly to the volume of financing it does, so it is always reluctant to slow up on lending. And it has to try to meet widely varying terms and interest rates on a competitive basis throughout the country. Despite its farflung system of 400 branch offices, this isn't easy.

C.I.T. regards itself as subject to the economic fancies of consumers rather than dictator of those fancies. To understand this notion, you have to know just what C.I.T. is and how it operates.

I. Holding Company

C.I.T. Financial Corp.—which was called Commercial Investment Trust Corp. until 1945—is really nothing

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more than a holding company for 10 operating companies. The biggest money-maker is, of course, auto financing, and this breaks down into two components; auto dealer financing, sometimes called wholesale credit, and consumer, or retail, financing.

• **Auto Financing**—Last year, auto financing accounted for 70% of C.I.T.'s total volume, with wholesale credit totaling \$1.9-billion, retail \$956-million. Both these figures dipped below the year before, which was C.I.T.'s biggest year, and the slump came largely because consumers slowed up on their auto purchases. C.I.T. would have liked to have bought up more paper from both dealers and consumers but the business just wasn't there.

The dealer financing and retail financing are tied closely together. C.I.T. lends the dealer the money to buy cars from the factory, and the dealer in turn either sells the cars himself and then sells the customer's note to C.I.T. or acts as agent for C.I.T., which takes the customer on directly.

Most of this business is done under re-purchase agreement, which means that if C.I.T. has to repossess the car, the dealer must in turn re-purchase the car from C.I.T. Then the dealer has to sell the car himself, sometimes at a profit, often at a loss.

An important adjunct of the auto financing business is the insurance business. C.I.T., through insurance subsidiaries, insures most of the cars it finances. Last year it wrote premiums totaling \$52.8-million compared to \$67.8-million in 1953.

Another feature of C.I.T.'s auto business is its financing of repairs to its retail customers. This business totaled just over \$1-million in the first quarter of this year.

• **Factoring**—The second biggest money-maker in the C.I.T. stable is the factoring business. C.I.T. has three factoring subsidiaries, which comprise the heaviest concentration of factors in the business. These companies buy accounts receivable from textile and other companies, then collect the accounts as they come due. These receivables usually mature in 60 days. Last year these companies bought \$958-million worth of receivables, a drop from 1953 of around 5%, due largely to less textile business.

• **Industrial Financing**—Another important C.I.T. activity is industrial financing, which was started in 1920 by Sidney D. Maddock, who is now president of C.I.T. Corp., the official name of the industrial financing subsidiary. This business slumped off in the early part of last year with business generally, but got a shot in the arm in the last quarter from an invention of Maddock's called the pay-as-you-depreciate plan. This plan, geared to the

(Advertisement)

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This International R-195 tractor, equipped with Fuller's R-45 eight-speed, semi-automatic ROADRANGER Transmission, is cutting two hours off the Baltimore-Jersey City trip time.



ROADRANGER Transmission, permitting tractor to operate in high hp range, saves up to 4% in fuel.

Trucker tests semi-automatic ROADRANGER[®] transmission; orders 48 a year

Results show annual fuel savings of
\$126.36 per tractor

One of the most interesting reports from the trucking industry concerns Baltimore Transfer Company—a leading Eastern operator—and its revealing road tests of a new semi-automatic transmission.

The transmission, a Fuller Model R-45 ROADRANGER, features 8 speeds forward shifted by a single lever. Baltimore Transfer tested it against a conventional 5-speed transmission with a 2-speed rear axle, installed in identical International R-195 tractors with identical loads.

Results: on a stretch between Baltimore and Blue Mountain, Pa. (22 miles of hilly terrain) the tractor with the Fuller Semi-Automatic

ROADRANGER made it in 38 minutes—against 1 hour and 5 minutes for the other tractor. In a one year period, fuel consumption of all ROADRANGER-equipped tractors averaged 4% less than the others—an annual fuel saving of \$126.36 per tractor.

Thoroughly convinced, Baltimore Transfer Company and its wholly-owned subsidiary, Motor Freight Express, have ordered 48 tractors a year—all equipped with the Semi-Automatic ROADRANGER. By 1957, they expect to increase the order to 96.

With single-lever control of all forward speeds, the Semi-Automatic ROADRANGER lets drivers anticipate

grade requirements and meet them with the right ratio at the right time without having to wrestle with gear splits or wait for automatic actuation. And with all forward ratios in the Semi-Automatic ROADRANGER evenly spaced, the driver can match his power precisely to load and grade demands.

As a result, the Fuller Semi-Automatic ROADRANGER is the most efficient, easiest-shifting transmission available today. By permitting more speed on hills and in city traffic, reducing fuel consumption and engine maintenance, the ROADRANGER provides bigger slices of profit—critically important in a business where profits are figured in decimals.



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fast write-off schedules of the 1954 tax law, lets a manufacturer borrow money from C.I.T. so he can buy equipment, then pay back the loan out of his depreciation allowances.

II. Raw Material—Money

Perhaps even more than most businessmen, Dietz and his cohorts spend their time thinking about money. Money is both their raw material and their end product, and in any given year, they borrow nearly as much as they lend. Borrowed money costs C.I.T. from 2½ to 3%; on its auto paper, it gets around 6%. About half of C.I.T.'s borrowing is on short-term loans—less than one year—with a heavy chunk of it coming from unsecured paper it sells to banks and businesses. The other half comes from bank loans. C.I.T. has bank lines totaling over \$500-million with 400 different banks. It can borrow up to \$20-million on an unsecured loan from any one bank, but seldom uses more than half its borrowing capacity at any one time.

• **Role of Banks**—C.I.T.'s relation to the banks is an interesting one. The banks are its major supplier and major competitor. The banks wouldn't handle consumer installment loans themselves until the 1920s, and charged C.I.T. a stiff rate for money because they didn't believe small consumers were a good risk. The prosperity of the 1920s mellowed them a bit, and they subsequently competed fairly actively with the finance companies, although up to World War II they held less than 30% of total consumer installment outstanding.

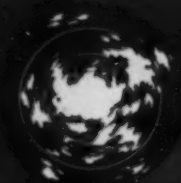
In 1946, the banks were handling 56% of all auto credit. But since then, they have been slowly losing ground in this field. Today, they have around 40% of the total auto installment debt outstanding and around 85% of all other consumer installment debt, and are fighting for more.

Despite the competition, the banks fight to get C.I.T. as a customer. In the recent rash of bank mergers, C.I.T. was solicited by some bankers to switch its account in the bank being absorbed to their bank. C.I.T. gets its money at the prime rate, of course, and is usually around \$200-million in debt to the banks themselves at any given time.

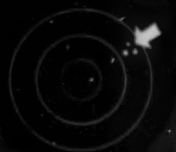
III. The Early Days

Perhaps the most striking thing about C.I.T. is that it has come such a long way on so little. As the picture on page 102 shows, C.I.T. founder Henry Littleton, a St. Louis retailer, started a small accounts receivable business on Feb. 11, 1908, on an original investment of \$100,000. This was one day after a severe stock market

2 In older radars, low-flying planes were lost in "ground clutter," appeared like this on scope



3 New radar has power to eliminate all but moving objects. Low-flying planes appear on scope like this



1 Radar scanners like this (in cutaway) detect distant objects, display them on radar scope

4 With earliest possible warning, defenses gain time for effective interception

NEW POWER SOURCE TIGHTENS RADAR DEFENSES

Million-Watt Klystrons Aid Detection of Distant, Low-Flying Planes

THE STORY BEHIND THE STORY:

What is the significance of the headline above? To borrow from an old baseball expression, "You can't hit 'em if you can't see 'em"—approaching planes that formerly evaded radar detection can now be "seen" at greater distances than ever before.

■ Behind this improved radar vision is a new family of high power tubes known as Megawatt Klystrons. These new tubes not only provide greater ability for beaming radar impulses against small and distant objects, but provide a new

improvement to a technique known as M.T.I. or Moving Target Indication. In radars without M.T.I. everything within the beam of the radar appears on the viewing scope. Images from trees, terrain, buildings, all combine to form "ground clutter" on the scope. M.T.I. eliminates this "ground clutter" by indicating moving objects only. Therefore with Megawatt Klystrons, approaching aircraft can be spotted sooner and defenses can be alerted more quickly.

■ Producing millions of watts of electronic power, these giant tubes make possible illumination of small objects

with radar impulses at greater distances to provide clear, sharp images on the radar scope. Furthermore, the Megawatt Klystron's stable performance and long life assure that these radar sentries are constantly on guard.

■ The Klystron tube made microwave radar possible. Developed by Sperry, it generates, amplifies or multiplies microwaves. Today, Sperry produces Klystrons covering a wide range of powers and frequencies for specific requirements—both military and industrial. To meet demands for these tubes, a new plant has just been opened devoted exclusively to Klystron research and production.

SPERRY GYROSCOPE COMPANY

DIVISION OF THE SPERRY CORPORATION • GREAT NECK, N.Y.

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"The Quiet Man"

Keep the coffee-break in your control

No revolver in sight—but he's staging a hold-up, in terms of lost production time. This doesn't have to be the case. Rudd-Melikian's Kwik-Kafé system provides management with real control of the "coffee-break", and makes it build, not break down, worker efficiency.

Employees take their "coffee-break" right in the office or plant, without leaving their work area, and lost time is cut to the minimum. Rudd-Melikian, Inc., leader in the field of "coffee-break" control, installs and services dependable dispensing machines that supply delicious Kwik-Kafé coffee and leading soft drinks at no cost to management.



RUDD-MELIKIAN, INC.

Creators of an Industry

There is a Rudd-Melikian dealer in most principal cities. Contact him, or write direct to us. You don't have complete control unless you have Kwik-Kafé.

Rudd-Melikian, Inc., 1949 N. Howard St., Phila. 22, Pa.

Gentlemen:

☐ Please show me how to control the "coffee-break" with R-M dispensers. Booklet 886

☐ Please send me full details about securing a profitable Rudd-Melikian franchise.

Name _____ Firm _____
Street _____
City _____ Zone _____ State _____

break signaled new spasms of the "rich man's panic" of 1907.

Ittleon figured on borrowing \$150,000 a month through the first year, paying interest of \$750, or 6% a year. His own projections of that first year's volume and earnings are fascinating. Scribbled at the bottom of the envelope were these notes: "Keeping average balance of \$40,000 on hand leaves \$210,000 loanable . . . \$210,000 is 80% of \$262,500 . . . this loaned on average 90 day maturities will net, at 4% discounted for 90 days, \$10,500 for \$42,000 per year . . . net profit of \$6,000. . . . If we can do instead of \$840,000 the first year, \$1,090,000, which means an additional interest charge on \$50,000 of \$3,000, we can make \$10,000 additional gross or \$7,000 additional net, making a total of \$13,000 the first year. . . . We need \$2,800 a day in invoices. . . ."

Ittleon was over-optimistic about the volume of business he would handle, as the final total was \$738,000 rather than \$840,000. But his estimate of net income was lower than it turned out—instead of \$6,000, he made \$10,000.

Its second year in business, the company purchased nearly \$2.5-million of receivables, well above even the most optimistic of hopes for the previous year, and had net income of \$82,000.

In those early years, while the automobile industry was struggling through its infancy, Ittleon found his business gradually gravitating toward the East. In 1915 he shifted his headquarters and staff—from St. Louis to New York.

• **First Auto Customer**—Ittleon's first automobile customer was Studebaker Corp. Two years after the contract was signed, Ittleon spoke to a 25-year-old ex-doughboy about working for C.I.T. The ex-soldier, Arthur O. Dietz, had worked for the Continental Guaranty Corp. prior to World War I, handling relations with automobile dealers, and had some good connections in the mushrooming auto industry.

Dietz's job was to drum up business among the automobile manufacturers. He recalls when he first visited Nash Motors, he was ushered out to indignant cries of, "We'll stop making cars before we'll sell them on the installment plan."

• **Expansion**—Throughout the 1920s, as automobile production expanded from less than one million cars a year to over 4.5-million, C.I.T. kept booming with it, putting an increasing amount of its efforts into automobile retail and wholesale financing. Volume of receivables purchased grew from \$23.5-million in 1919 to \$489.5-million in 1929. By that year, the prophets of doom were out in force, and one of their most persistent questions was the same one that is being asked today: What's going to happen to Joe Doaks



Hudson saves \$480,000 a year burning coal the modern way

A decision to improve its power service opened many possible courses of action to Hudson Motor Division of American Motors Corp. Based on findings of consultants Boddy, Benjamin and Woodhouse, Inc., Hudson decided to modernize completely its coal-burning, steam, electrical and compressed air equipment.

Today, steam at Hudson is supplied by three new boilers instead of ten old ones. Other new equipment includes a coal-handling system, automatic combustion controls and automatic ash disposal system. Manpower needs in the boiler area have been cut from 14 to 10 and in the compressor area from 8 to 6. With a reliable power supply, Hudson is protected from service interruptions. And the reduced cost of operation resulting from the new equipment will pay off the original investment in six years, leaving an annual saving of \$480,000 thereafter!

Investigate Your Fuel Costs

If you're planning to modernize your plant or build a new one—or if you are just interested in cutting fuel costs—find out how coal, burned the modern way, compares to other fuels. Why not talk to a consulting engineer or your

nearest coal distributor. Their advice may save you thousands of dollars each year.

facts you should know about coal

Up-to-date coal burning equipment can give you 10% to 40% more steam per dollar.

Automatic coal and ash handling systems can result in a virtually labor-free plant.

Coal is the safest fuel to store and use. No dust or smoke problems when coal is burned with modern equipment.

In most industrial areas, bituminous coal is the lowest-cost fuel available.

Between America's vast coal reserves and mechanized coal production methods, you can count on coal being plentiful and its price remaining stable.

For further information or additional case histories showing how other plants have saved money burning coal, write to the address below.

NATIONAL COAL ASSOCIATION
Southern Building, Washington 5, D.C.

TAX SAVINGS



"SEAFARING" DURABILITY: The "Century" Pipe on the Padre Island causeway pictured above stretches out to sea for a mile and a quarter off the Texas mainland at Port Isabel. Throughout the country, municipal authorities recognize the ruggedness of this long-lasting pipe. Engineers: Parsons, Brinckerhoff, Hall and Macdonald, New York. Installation Contractor: W. T. Liston Co., Harlingen, Texas. Photo by Booth Studio.

Taxpayers Save Money When Local Governments Use K&M "Century"® Asbestos-Cement Pipe

- Pumping cost stabilized, carrying charges cut.

With taxes on the rise in communities throughout the nation, the economy features of K&M "Century" Pipe offer a special appeal to responsible citizens. More and more cost-conscious officials and alert taxpayers recognize the savings it brings.

Its low installation cost reduces the original dollar outlay needed. This means lower carrying charges over the years. Pumping costs are kept low because the pipe's smooth bore stays clean. Reason? K&M "Century" Pipe is made of asbestos and cement—a combination that produces a non-corrosive, non-tuberculating pipe.

Many other features add to the worth of this pipe. It's durable—made for maintenance-free service. Years after it has been installed, it can be removed and re-laid in another location. It never grows "old"—in fact, actually grows stronger with age.

Whether needed for a new water system, or to extend an existing system, K&M "Century" Pipe is a good choice for taxpayers.

- Valuable for industrial uses—The light weight, rugged strength, and

corrosion resistance of K&M "Century" Pipe make it ideal for many applications in industry as well as in the community. For instance, oil companies use it to carry salt water. Wherever this dependable pipe is used, it's watchful of a company's dollars.

- Send for information—K&M's booklet, "Mains without Maintenance," will be sent on request. It contains a wealth of valuable reference material and specifications—ideal for anyone interested in water main pipes.

KEASBEY & MATTISON COMPANY

Ambler, Pennsylvania

In Canada: Atlas Asbestos Company, Limited
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For booklet, "Mains without Maintenance," mail coupon to Keasbey & Mattison Company, Ambler, Pennsylvania.

I am interested in further details on K&M "Century" Asbestos-Cement Pipe.

Name _____

Company _____

Address _____

City _____ Zone _____ State _____

when he loses his job and has more installment bills than clothes in his bureau drawers?

The answer, Dietz's favorite statistic of 85% debt paid in nine months, startled everyone. Granted that the pressures of C.I.T.'s efficient collection corps added significantly to that figure—indeed, many people claim vigorous collection methods were the main factor—it is still surprising. Consumer installment debt as a whole had the best repayments record of any segment of the debt in the early 1930s.

● Significant Purchase—In 1933, with business at a low ebb, C.I.T. made its most significant purchase. Five years before, the Ford Motor Co. had established a credit company to finance its own cars just as GMAC handled GM products. By 1933, Ford wanted to get out of the finance business. C.I.T. bought the fourth biggest auto credit company in the business, with exclusive financing arrangements covering most Ford dealerships in the country.

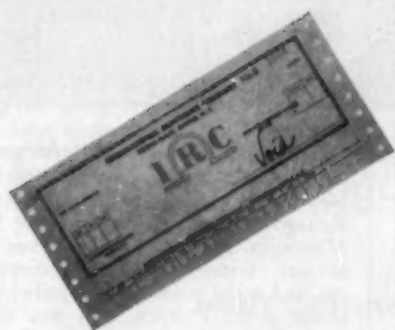
IV. Impact of War

Even the depression didn't hit the auto installment credit business as hard as did World War II. C.I.T.'s business plummeted from \$1.6-billion of receivables purchased in 1941 to less than half of that in 1943. The wartime slump pushed C.I.T. into some offbeat diversification. It invested over \$2.5-million in two electrical equipment manufacturers, and through its industrial financing subsidiary, C.I.T. financed \$4-million worth of earth-moving equipment for the Alcan highway. What really kept it going, though, was its factoring business, largely buying receivables of textile companies doing government work on service uniforms.

● No Stampede—C.I.T. girded for what it thought would be a stampede for auto and appliance credit just after the war. Under L. Walter Lundell it set up 338 branch offices throughout the country, plus 30 more in Canada.

The stampede never quite materialized in 1946, and C.I.T. found itself all dressed up with no place to go. For one thing, consumers had heavy bundles of cash savings from the war, and wanted cars badly enough to pay cash for them and dealers had a heyday. C.I.T. also found the banks could really be rough competitors when they had plenty of money and wanted the business—as they did just after the war. By offering lower rates and longer terms the banks were able to push their share of total auto credit to 56% in 1946. This left the finance companies with only 44%—compared with 63% in 1941—and C.I.T. felt the pinch.

● Smart Deals—But C.I.T. didn't wither on the vine, although volume and earnings didn't measure up to ex-



International Resistance Company writes pay checks—500 miles away— by Bell System teletypewriter

International Resistance Company, of Philadelphia, has plants in Asheville and Boone, North Carolina. It used to take up to three days to write and mail the company payroll checks.

Today, using private line teletypewriter service, the payroll for both plants is handled in about two hours! Payroll information is prepared on tape and fed into the transmitter in Philadelphia. Actual pay checks instantly come out of the machine in North Carolina—some 500 miles away—requiring only an authorized signature.

This service eliminates the expense of maintaining payroll systems in the branch plants. It saves a tremendous amount of time. And when the teletypewriters are not writing checks, they're speeding special orders, specifications and performing other duties.

If you would like to see how you may save time and money on your communications, the Bell System will be glad to survey your needs at no cost to you. Call our Business Office and talk it over with your Bell Telephone representative today.

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\$60,000,000

Pan American World Airways, Inc.



3¾% Promissory Notes

The Notes are subject to an annual sinking fund scheduled to effect their complete retirement during the years 1966 to 1980. Upon Noteholder consent, sinking fund payments may be deferred to a date not later than March 1, 1965.

Under a Loan Agreement negotiated through the undersigned, \$25,200,000 of the above-mentioned Notes have been sold privately, the balance to be sold to the same Purchasers on or prior to July 1, 1965.

Lehman Brothers

Hornblower & Weeks

May 26, 1955.

This announcement is a matter of record only and is neither an offer to sell, nor a solicitation of an offer to buy, any of these Securities. The offering is made only by the Prospectus.

NEW ISSUE

May 25, 1955

672,000 Shares

The Chicago Corporation

Common Stock

(\$1 Par Value)

All of these shares have been sold. Subscription Warrants for these shares were issued initially to holders of the Common Stock of the Company to subscribe at \$18 per share. Warrants for 646,749 shares were exercised during the subscription period by such holders and their assigns. The several Underwriters purchased from the Company and resold the remaining 25,251 shares.

Glore, Forgan & Co.	Ladenburg, Thalmann & Co.
The First Boston Corporation	A. G. Becker & Co. Blyth & Co., Inc.
Eastman, Dillon & Co.,	Goldman, Sachs & Co.
Harriman Ripley & Co.	Kidder, Peabody & Co.
Incorporated	Lehman Brothers
Lazard Freres & Co.	Smith, Barney & Co.
Merrill Lynch, Pierce, Fenner & Beane	
Stone & Webster Securities Corporation	
Union Securities Corporation	White, Weld & Co.

expectations. A couple of sideline developments helped out. C.I.T. cannily started selling most of its common stock held in its insurance company portfolios late in 1945. Before the market broke in the fall of 1946, the company had made nearly \$3-million profit on stock sales. Another money-maker for C.I.T. in 1946 was its trading in government bonds. By buying bonds at par and selling them some months later at a premium, C.I.T. cleared around \$1.4-million.

Today, C.I.T. concentrates mainly on automobile credit financing. It gave up appliance financing a few years ago because of mounting costs—it takes just as much time to process an installment transaction on an automatic washer as it does for a car or a multimillion-dollar piece of industrial equipment.

V. Evolution

C.I.T. is now in the beginning stages of an evolution that eventually overtakes very large corporations. As one C.I.T. executive put it, "We are gradually getting away from an intuitive type management to a statistical one." Dietz, like Ittleson, Sr., has an uncanny knowledge of all angles of the money market, the automobile market, and the consumer himself.

But Dietz is taking steps to prevent C.I.T. from becoming a one-man operation. He and Henry Ittleson, Jr., work together closely, and keep in close touch with the other officers.

Ittleson, Jr., came with C.I.T. in 1922 after delivering an ultimatum to his father that he was going to quit Michigan Univ., and come to work for C.I.T. If not, he would work for someone else. His father, now dead, started him out as assistant to the collections manager for the territory west of the Mississippi River, and Ittleson was on his way. Today he is Dietz's heir-apparent, and is the second largest individual holder of C.I.T. stock, with over 300,000 shares in his name and in a family holding company. (Biggest holder is Sydney M. Shoenberg, a C.I.T. director and investment banker whose family originally financed Henry Ittleson, Sr.).

• **Current Interests**—Ittleson is currently interested in getting C.I.T.'s newly started life insurance subsidiary, Patriot Life Insurance Co., off the ground, and in keeping tabs on C.I.T.'s new office building now being constructed in New York.

Like everyone else at C.I.T., Ittleson is bullish on the future of the economy. He agrees with an estimate Dietz has made that the automobile market may soon swell to 8-million cars a year if roads are improved and war doesn't snaggle things. "And as the economy grows," says Ittleson pensively, "C.I.T. will get at least its share."



Take the brakes off high speed bag making—

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It had to come and now it has—even gauge polyethylene film for faster, better bag making!

Celanese even gauge polyethylene film is a truly precision material. Developed and produced by the pioneer in cast and extruded films, Celanese polyethylene offers greater thickness uniformity—within each roll as well as from roll to roll!

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PACKAGING FILMS

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The lavish How to Invest Show, sponsored by Wall Street's Merrill Lynch, Pierce, Fenner & Beane, drew over 100,000 people last week to a Park Ave. armory. Chief lures for potential investors: super cars, model nuclear reactors, puppet shows, and hopes of market tips.



MODEL STEEL HOT STRIP MILL kept customers enchanted, kids in one place while

Million-Dollar Education for the

Last week, thousands of marching feet thudded through New York's 71st Infantry Regiment Armory on Park Avenue. It wasn't the National Guard feverishly going through its paces, or

even a Shriners convention. It was secretaries, schoolchildren, housewives—with papooses in tow—and tourists all taking a look at the country's first How to Invest Show.

The show ran for a week, from May 24 until Memorial Day, and admission was free. It was paid for—over \$1-million—and sponsored by the biggest brokerage house in the business, New



MERRILL LYNCH account executives answered questions, did no actual selling.



TOUGH QUESTIONS: "What's a good stock selling for less than \$25?"



"I have over \$5,000 in a savings account—should I put it into common stock?"



mothers learned the rudiments of investing.

Mass Investor

York's Merrill Lynch, Pierce, Fenner & Beane.

Merrill Lynch has always been in the vanguard of investment houses seeking the little man's dollar. It was instru-

mental in getting the Monthly Investment Plan—under which you can invest as little as \$40 a quarter—started about a year and a half ago. Then it started selling stocks in suburban areas via specially rigged buses called stockmobiles, which were complete with two-way telephones, miniature board rooms and all the other Wall Street trimmings (BW—May 15'54,p46).

• **Success**—The investment show represents Merrill Lynch's latest pitch to draw more men-in-the-street into the securities markets, and it may well turn out to be the most successful. First estimates of the total turnout indicated that around 110,000 people saw the show. How many were sufficiently impressed with the lavish exhibits of super cars, electronic brains, and futuristic kitchens to convert their savings accounts into stock certificates, even Merrill Lynch wouldn't say. But there were a couple of indications. About 12% of the people who saw the show left their names at Merrill Lynch's investment desk for further information. Merrill Lynch did no actual selling at the show itself, so this represents a prospect list of around 15,000 people.

Another angle that makes Merrill Lynch happy is the response to its investment inventory form. On this, people who already have some stock are supposed to outline their present holdings, mail the list to Merrill Lynch for a free appraisal. Through the first five days of the show, around 2,000 of these had been mailed in. Even allowing for at least half of them being phonies, Merrill Lynch thinks it has done well with this gimmick.

• **Big Exhibitors**—The whole idea of the show was dreamed up by Merrill Lynch over a year ago. After booting the idea around for some time, the firm decided to go ahead and rounded up some exhibitors representing the biggest names in industry—General Motors, New York Telephone, General Electric, General Foods, American Gas & Electric System, International Business Machines, and exhibits representing the chemical and iron and steel industries.

The first batch of designs for the show was scrapped just six months before the show opened—too stuffy. The pitch of the show was investment but the touch was light—instead of lectures by account executives, there were puppet shows and movies.

The individual exhibits were all manned by their own personnel—each exhibitor had to supply its own exhibit, although Merrill Lynch footed the rent and incidental expenses. But Merrill Lynch reached into its metropolitan area offices for 20 account executives to answer questions, help with the multitude of forms and folders, and round up lost children.

Consult a Financial Specialist



To Represent You in The Sale or Merger of Your Corporation

You should be advised of the advantages of selling or merging your Company. The combination of advantages—in diversification of products, sales, taxes, management and marketability of equity—vary in every merger. Finding the best-suited company and arranging the best possible terms calls for an experienced intermediary or broker who can effect the transaction tactfully.

As specialists in this field we are equipped to analyze your merger potential and advise the best course of action for you. We have wide contacts with companies seeking merger candidates. If your net worth exceeds \$500,000, we invite you to discuss your objectives with us in confidence and without obligation.

To Negotiate and Obtain a Private Placement Loan

Private placement loans are the most economical, most flexible method of obtaining long-term financing. If your business needs funds for expansion, the acquisition of another company, working capital, or other corporate purposes, and your net worth exceeds \$1,000,000, we will obtain the necessary funds for you.

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"What will Rohm & Haas be selling at next July 1st—well why don't you know?"



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For safe, quick and dependable handling of all types of eastbound and westbound freight, Lackawanna provides—

- connections at 36 strategic interchange points with other major railroads...
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mira, Buffalo, Cleveland, Chicago, Detroit and St. Louis...

- coordinated service to accelerate freight traffic with every facility provided for accurate handling...

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Ask About Lackawanna Trailer Service ("Piggy-Back")



Lackawanna Railroad

SHIPPERS WHO ARE IN THE KNOW, CHOOSE THE ROUTE OF PHOEBE SNOW

FINANCE BRIEFS

Deposits in mutual savings banks rose \$44-million in April, to a record \$27-billion. But the gain was only 40% of that shown a year earlier according to Pres. Charles R. Diebold of the National Assn. of Mutual Savings Banks. April withdrawals also ran 16% above 1954. In the month the mutuals reduced their cash by \$47-million, U. S. governments by \$45-million, corporate and municipal holdings by \$18-million. Mortgage holdings jumped \$184-million to \$15.6-billion, and now account for 51.8% of the group's resources.

Bethlehem Steel Corp. scored an expected success with its offering of \$191.7-million new 25-year 3 3/4% convertible debentures. Stockholders, with first crack at the issue, took over 96%.

"An increase in bank lending rates, including the prime rate, . . . is a reasonable expectation," says Roy L. Reiersen, vice-president of New York's Bankers Trust Co. The prime rate, he adds, has been "conspicuous among the laggards" in short-term loan rates.

Cash dividend payments in April by publicly owned corporations were \$662-million, or 12 1/4% more than a year ago, the Commerce Dept. reports. January-April dividends came to almost \$3-billion, 7% above 1954. But not all are upping them.

\$40-million of new financing has been arranged by Marathon Corp. Equitable Life and Northwestern Mutual Life have bought \$30-million of 3 3/4% notes due 1960 to 1980; banks will supply the rest on five-year 3 3/4% notes. One-third of proceeds will go to retire outstanding 5% preferred, the rest for working capital.

A real king-size stock split is planned by Detroit's Complete Auto Transit, Inc., transporter of new automobiles across the country. Present capitalization consists of only 136 shares of no-par common (worth over \$7,000 each, the company says) and it will soon be split on a 400-for-1 basis.

Merger of Sperry Corp. and Remington Rand, Inc., as Sperry Rand Corp. (BW-May 7 '55, p. 56), was approved last week.

A \$55-million expansion program, designed to boost capacity 50%, has been approved by directors of Ideal Cement Co. Despite the \$44-million invested in new plant facilities since 1945, board says demand "continues to tax our ability to supply."

COKE FOR BETTER MELTING

. . . BETTER PROTECTED PACKAGES



how are they ALLIED ?

From foundry coke to packaged food looks like a mighty big jump—but it's made every day through products produced by the Semet-Solvay Division of Allied Chemical.

Pioneer supplier of coke and coke ovens, and makers of equipment for generating gas—a source of ethylene—Semet-Solvay turns out A-C Polyethylene, too . . . the great new ingredient for food carton coatings, paper and printing

inks, floor polishes—and other useful products. Unusual diversity?

Sure. But it still only hints at the parade of products that stream from all seven Allied divisions combined. In fact, there's hardly home or family, farm or business whose needs aren't served somehow by Allied Chemical. Our job?

To keep finding new ways to serve those needs . . . better.



61 BROADWAY, NEW YORK 6, N. Y.

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Barrett	General Chemical	Nitrogen
Mutual Chemical	National Aniline	
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NEW

DEPARTURES OF TOMORROW



TOMORROW: Housewives can relax from start to storage with this dishwasher of the future.



TODAY: Most every type of appliance found in the home—automatic dishwasher, automatic washer, dryer or other time- and work-saving device—uses New Departure ball bearings to assure better operation for the life of the machine.

What a wife-saver! At the push of a button this "dream" machine goes to work on dishes . . . scrapes, washes, dries, sterilizes and stacks them back on the shelf, ready for use.

Where is it? Well, it's probably nestling in the back of some designer's mind right now. But once it reaches a concrete stage, you can bet accurate, easy-rolling New Departure ball bearings will be called for to keep all moving parts functioning smoothly and automatically. For New Departures can be self-sealed, lubricated-for-life, so that they require no maintenance. Whenever your designs call for accurate support of moving parts, count on New Departure for uniform ball bearings of matchless dependability.

NEW DEPARTURE • DIVISION OF GENERAL MOTORS • BRISTOL, CONNECTICUT

NEW DEPARTURE
BALL BEARINGS



NOTHING ROLLS LIKE A BALL

INTERNATIONAL OUTLOOK

BUSINESS WEEK

JUNE 4, 1955



Before the summer is over the U. S. may be talking out the Formosa issue with Red China.

Peking broke the ice with its release of the first group of American fliers. As soon as the others are set free, Washington will be ready to fix a date for the talks. Meanwhile a de facto cease fire will continue in Formosa Strait.

Exploratory discussions on Formosa could lead to wider Asian negotiations—of the type now coming on European problems.

India's Nehru and Burma's U Nu would like such a development. (Nehru is visiting Moscow this month and U Nu is coming here.)

If Peking is aiming at over-all negotiations, it will ape Moscow's tactics in Europe, will push for an Asian "neutral belt," which would include Korea, Japan, Formosa, and Indo-China.

In fact, Krishna Menon, Nehru's special envoy, has already started to peddle a plan like this. He has just had long talks in Peking with Mao Tse-tung and Chou En-lai.

The U. S. would be quite willing to talk about a general Asian settlement—provided a Formosan agreement can be reached first.

We might even consider neutralizing Korea and Indo-China. But Japan is an entirely different matter. We will oppose neutrality for Japan just as firmly as for Germany.

The West has to get together on a common approach to the German problem right away. On June 20, at the United Nations celebrations in San Francisco, Western foreign ministers will be seeing Molotov—in a kind of preliminary to the summit meeting.

Agreement on tactics won't be easy.

The British and French are inclined to operate at San Francisco with considerable flexibility. For example, they would be willing to discuss a European security plan ahead of German unification.

The U. S., backed by West Germany, wants some clear indication that Russia is ready for unification before we agree to discuss a broader European settlement. Washington is much more ready to accept the fact that Chancellor Adenauer will have the last word in fixing the Western position on Germany.

London and Washington differ on one other matter: Secy. of State Dulles wants to have Soviet control of Eastern Europe included in the questions for East-West discussion. Prime Minister Eden thinks this would be a useless gesture—and only lead to unnecessary friction with Molotov.

Spain may soon become a member of the North Atlantic Treaty Organization.

The U. S. has wanted this for some time. Once the U. S. started setting up naval and air bases in Spain, the Franco government became in effect a silent NATO partner anyway.

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

JUNE 4, 1955

Resistance to Spain's membership is melting away in Western Europe. Paris probably would be ready to go along if Franco would stop fostering anti-French sentiment in North Africa. And so would London—if Franco agreed to end his agitation for a return of Gibraltar to Spain.

The British Labor Party will have to do some soul-searching in the months ahead. The decisive Tory victory (page 122) had more behind it than the Attlee-Bevan split. Behind the split lies the fact that Labor no longer has a program. Nationalization no longer provides a rallying cry for trade unionists. Even the social-worker approach of moderates like Attlee has lost its appeal.

The next-door neighbors—Canada and Mexico—are cautiously speculating about the "best year ever."

You could hear Canadian optimism at last week's meeting of the Canadian Manufacturers' Assn. (page 123) and at the International Trade Fair that opened in Toronto this week. You can see it in the flow of statistics coming out of Ottawa and in company reports across the land.

Serious-looking March unemployment, a postwar record, proved temporary; the figures are dropping even faster than usual. Outdoor work got going early, and there have been fewer seasonal layoffs in manufacturing.

Many indicators—housing starts, steel output, capital spending, corporate earnings—are looking sprightly, often nudging records. TV sets, by the way, are coming out of Canadian factories at a phenomenal rate.

Canadians are encouraged by their foreign trade showing. Exports are doing well, sparked by good business in the U.S. and the boom in Europe. During the first four months, Canada's trade deficit was the smallest in three years.

Wheat exports are an exception. And Ottawa doesn't hesitate to lay part of the blame on Washington's farm surplus disposal program.

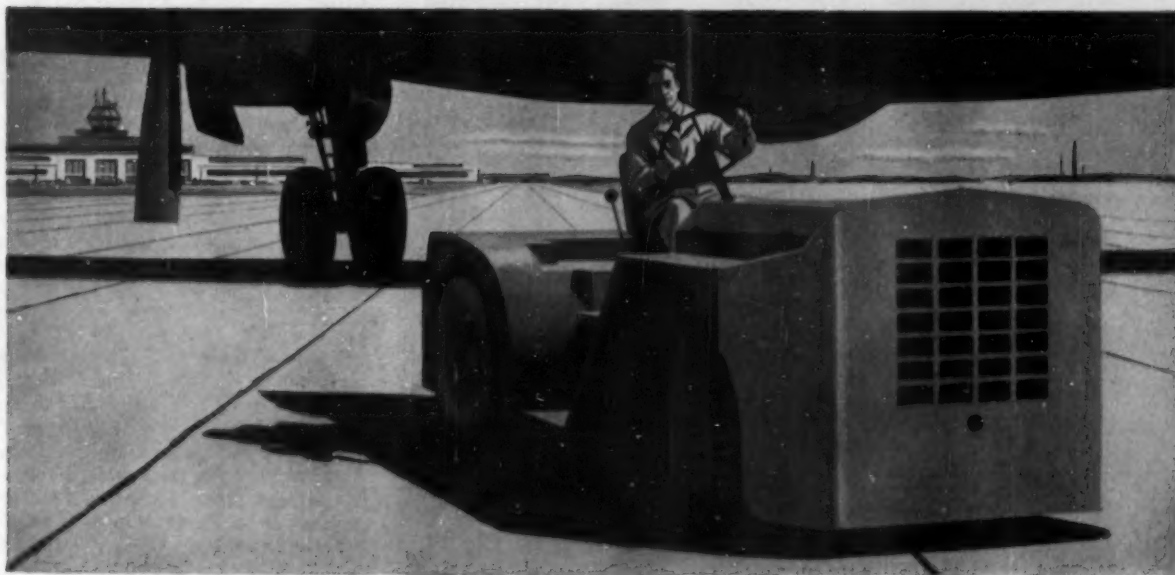
Farm business is the soft spot that could set Canadian optimism down hard. The prairies haven't recovered from last year's decline; retail sales, demand for farm machinery, other indicators, are still sickly. And storms and a late spring may have delayed the 1955 harvest dangerously.

Mexican business shows promise. The memory of 1954's drastic devaluation seems to be fading (BW—Apr. 23'55, p118).

First-quarter figures suggest no repetition of 1954's severe balance of payments squeeze. Average monthly exports are up 18%, imports only 7%. And while Mexico's foreign purchases of goods are still greater than its sales, there's been a healthy gain—rather than a drain—in gold and dollar reserves. (It was shrinking reserves, remember, that moved the government to devalue by 44% in the spring of last year.)

Mexicans seem to be successfully keeping imports under control. That's a big reason for the good showing so far. So are fatter tourist earnings, larger production of gold and silver (with silver at its highest price since 1920), a slow but sure return of flight capital. U.S. and European investors, meanwhile, are firming up their Mexican expansion plans.

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SIR ANTHONY EDEN:

His Worries Come Now

A new, confident Toryism has carried the day in Britain. The Conservative Party last week tripled its majority in the House of Commons; the standard bearer, Sir Anthony Eden, increased his own 1951 majority by nearly 4,000 votes. He feels he has a powerful mandate to "get on with the job."

At midweek, the job was very much with him; smiles of victory in the Tory camp were already giving way to fur-

rows of concern. A railroad strike crippled Britain and brought the declaration of a national emergency. London was in the throes of a monster traffic jam, and plants were closing for lack of rail-borne fuel.

The rail strike, plus a lengthy dock strike, highlight one of the Tory team's most pressing problems: labor unrest. Inflation is another, and so is the always precarious British balance of in-

ternational payments. The Tory councils must also ponder the future of the British economy in a fast-changing world. Finally—presenting the overriding issue—is the task of working for world peace.

• **No Landslide**—In all these areas, the Tory team feels itself particularly qualified (BW—Apr. 16 '55, p150). Yet the Tories realize that Conservatism worked no landslide last week.

A short explanation of the Conservative victory might be simply that Britons are having a good time. Socialism pulls its full strength only when people are discontented. They are not discontented now, but neither are they flocking to the Tory standard.

The average rightward swing was under 2%. The Tories took 49.85% of the total vote, Labor 46.54%, Liberals and others the rest. And even this moderate swing was due largely to a smaller total vote: Only 76% of the electors journeyed to the polls last week, compared with 82.6% in 1951. Some half a million fewer Britons voted Conservative; 1½-million fewer voted Labor. Most observers reckon the real key to the election were these stay-at-home Labor voters.

• **Factors**—There are other, ancillary reasons for the Tory victory. There is growing confidence among liberal, middle-road Britons in the "reformed" Tory party and its present leadership. And certainly the thaw from Moscow, coming just when Sir Anthony Eden stepped in as Prime Minister, helped debunk Labor's cry that only Attlee could bring peace by negotiation.

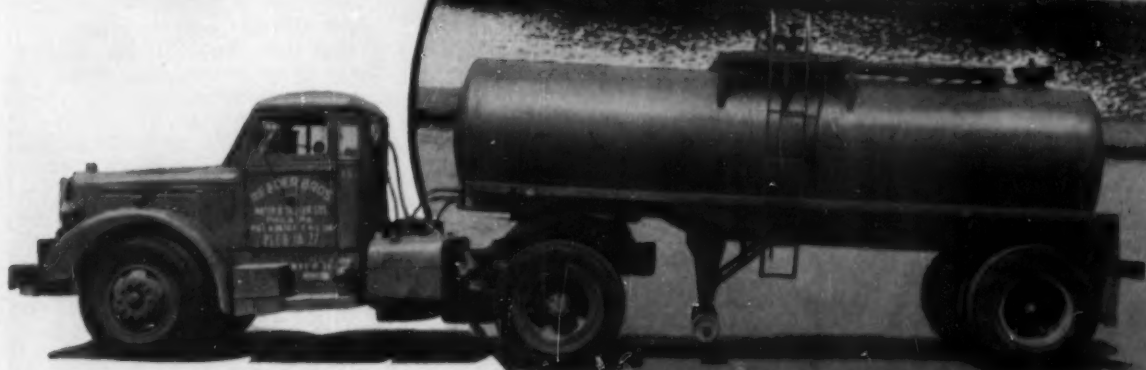
Finally, the split in Labor's leadership—between the Attlee moderates and the Bevan fire-eaters—shook the confidence of some of Labor's staunchest friends. Many Laborites hoped the party would be spared the embarrassment of having to form a government from a collection of bitter personal enemies devoted to well-nigh irreconcilable doctrines and ambitions. A prime example was the sheepish advice of the Laborite tabloid Daily Mirror (circulation: 4-million): "Vote Labor to keep the Tory majority small."

• **Labor Still Active**—With a majority of 60 over all others in the Commons, Prime Minister Eden, Chancellor of the Exchequer Richard A. Butler, and Foreign Secy. Harold Macmillan could govern confidently for four or five years. But their majority isn't so large as to erase Labor's power in the opposition. Conservatives are conscious that 12.4-million Britons voted Labor; if Labor should get its house in order and draft an attractive program to replace its outdated socialism, the pendulum could swing the other way at the next election. The Tories will be careful,

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• **Foreign Affairs**—In foreign policy, not much new is expected in London or Washington. It remains now to watch Eden and Macmillan spread their wings. Spread them they will—with a majority of 60, Britain's foreign policy makers won't have to keep glancing nervously over their shoulders at the Parliament and the electorate. Most observers expect Eden to show a new firmness and assurance, perhaps throw his weight around more than in the past.

• **Domestic Policy**—The keynote of Tory government will be economic and social policy, and the key man is Chancellor Butler.

Butler wants to reinforce policies that will push domestic industrial expansion, modernization, incentives, tax reduction. He wants convertibility, freer international trade, just as fast as Britain's balance-of-payments situation permits. The rate of progress toward these goals is always conditioned by Britain's constant conflict between expansion at home and solvency abroad (BW—Mar. 5 '55, p110). But Butler's bias is strongly for increasing the area of freedom, and for taking reasonable risks in the process.

• **Labor Turmoil**—The first task of the new government is to deal with the growing movement toward wildcat strikes, such as those paralyzing the railroads and the docks. The Cabinet is consulting this week on possible legislation. Present thinking is against any restrictions on the right to strike, in favor of strengthening the powers of accredited unions to suppress rebels.

Look at the causes of this week's labor trouble:

• The continued tendency to grant across-the-board flat-rate wage increases, which blanketed former wage differentials, left many of the high-paid workers relatively worse off. These men are now asserting their claims.

• Obsolete wage contracts that recognize categories of skilled workers that are no longer needed, owing to technological advances.

• Failure of union organization to adapt to the present industrial pattern. "National" wage negotiations sweep a huge conglomerate of varied industries into a single package, leave sectional frustrations easily whipped up by impatient agitators or Communists.

The strike wave, then, may in part be due to Britain's sudden transformation from a stagnant, obsolescent industrial economy to a dynamic society struggling to catch up with 20th Century technology. This makes the task of settling strikes difficult for the Tories. But they expect to find the job easier because they are helped by big business friends who want good labor relations, recognize collective bargaining, and like

to collaborate with the big unions.

• **Brighter Future**—Short-run, the business outlook in Britain is obscured by the labor situation. But if the rail and dock strikes are quickly settled, Londoners reckon that three or four more months of Butler's tight money policies will take the economy round the corner, relieve the balance-of-payments problem, even permit the next step toward convertibility of the pound sterling.

It may well be that industrial production will increase more than government officials, and most economists, believe. The over-all index reached a new peak in April. Right now, for example, the index for manufacturing alone is up 8% over last year, itself a boom year. While textiles are down, chemicals are up 10%, vehicle production up 25%. With this emphasis on new, modernized industries, the British economy may be getting stronger than the over-all index suggests.

• **Social Issue, Too**—The Tory leadership will try to stimulate industry's changeover from old to new. That means restoring more incentives to capital, through the government's tax, depreciation, and investment policies. But this must be accomplished without watering down the incentives of British workers. It is not only an economic problem, but a political and social challenge as well.

One example of longer-term Tory planning is in education. Big schemes are afoot for higher-quality scientific, technical, and business education in Britain. But, again, this won't mean any drastic shakeup in the present British system of general education. The keystone of that system is to select at 11 years of age—regardless of ability to pay—boys who are destined for higher schooling.

• **Tories on Trial**—Most Britons haven't forgotten the bad old depression days of Toryism, for all the new faces, new plans, new leadership of the party. Some fear that bad times could bring out the "Old Adam" in the Conservative party, cause a backbench revolt against the Welfare State, against the liberal social policies that Conservatives have taken up. This hardly seems likely with the present party leadership firmly settled into office. Aware of the ancient score against the party, they will lean over backwards to live down the past.

Thus, despite the rail strike, there was an air of expectant hopefulness in Britain last weekend, not entirely due to the glow of a three-day holiday. The London Times put the feeling into words: "Britain, Europe, and the world, after two generations of travail, all tremble on the brink of immeasurable possibilities." The Tories believe that, with luck and with a five-year mandate ahead of them, they can start bringing on some of the possibilities.

Where one revolution ended another is starting

At Yorktown, Virginia, where was fought the last battle of the American Revolution, the American Oil Company is launching a revolutionary development in oil refining. Each oil company has definite requirements as to where its refineries should be located. American wanted to find the one site that best suited its own needs. It wanted to be centrally located with relation to its distribution area, with good transportation by rail, highway or water. It wanted to be on tidewater deep enough to berth the largest ocean-going tankers.

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RUSSIA'S Khrushchev (left), trying to sewed Yugoslavia to Moscow, listens as . . .

Tito Lays Down the Terms

The Kremlin is reconciled to paying a big price to get Belgrade back in the fold; that price may include Yugoslav leadership of a Communist Balkan federation.

This week in Yugoslavia the cold war between Tito and the Kremlin, a special front in the bigger cold war, is coming to an end. Both Marshall Tito and his principal Soviet guest, Communist Party boss Khrushchev, seem determined to call it quits.

The real terms of the "peace treaty" hadn't been spelled out at midweek—and probably won't be even in the closing communique of the conference. This document will hide as much as it reveals of the secret negotiations that Tito has been carrying on with Khrushchev, Premier Bulganin, and Soviet trade boss Mikoyan.

But the main results of this dramatic turnabout already are pretty clear:

- The Kremlin has suffered a crushing defeat. In bowing to Titoism, it is not only undermining its monolithic control over the East European satellites but it is sapping the strength of the Communist movement everywhere.

- The West is losing something, too. Before long, Yugoslavia will cease to be a military ally, linked to NATO via the Yugoslav military pact with Greece and Turkey.

- Tito is now in a position to bargain for leadership of a Communist

Balkan federation that would include Yugoslavia, Albania, Bulgaria, and Romania.

- **Background**—To understand this week's developments in Belgrade you have to go back to 1947, the year before the Stalin-Tito break. It was then that Stalin created the Cominform. His purpose was (1) to streamline the leadership of the satellite Communist parties; and (2) to organize the satellites to support the Italian and French Communists as they attempted to take over those countries.

Cominform headquarters was in Belgrade. Second in command to the Kremlin was Tito, the strongest and most ambitious of all the East European Communist leaders. Tito, in fact, had at this time a vision of himself as a mighty Soviet pro-consul, leading a Balkan federation within the Soviet empire.

But in 1948, Stalin's plan and Tito's dream both faded. Although Stalin added Czechoslovakia to his conquests in the spring of 1948, his parties in France and Italy suffered decisive defeats soon after. At that point, Stalin decided to concentrate on building a monolithic control in the whole satellite area; this was to be a prelude to

incorporating the satellites, including Yugoslavia, into the Soviet Union. Tito's federation idea no longer suited Stalin's plans—and neither did Tito himself.

So Stalin tried to replace the Yugoslav dictator with Russian stooges—a move that quickly led to the open break between Tito and Moscow and to the upsurge of national Communism in Yugoslavia.

As Tito developed his own brand of Communism, the ideological break between Belgrade and Moscow grew wider. Things reached the point where Stalin tried to overthrow Tito with an economic blockade and with military pressure—a combination that forced Tito to seek protection in the Western camp.

- **Invitation**—Today Stalin's successors are clearly prepared to pay a big price to get this whole process reversed. They have paid part of it with their pilgrimage to Belgrade, where they are inviting Tito back into the Soviet fold, national Communism and all. That, in itself, is bound to lead to dissolution of the Cominform. In addition, they are offering Tito economic reparations. And it is possible that before long the Russians may be prepared to make a down payment toward Tito's federation plan—by giving him effective control over Albania.

If the Kremlin goes beyond this in satisfying Tito's Balkan ambitions, the West will have a clear indication that Yugoslavia is going all the way back into the Soviet camp.

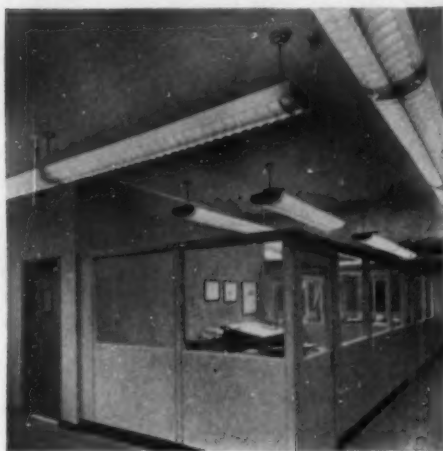
- **Playing Both Ends**—Until Tito is sure that he can really get what he wants from Moscow, he will try to maintain his economic ties with the West. The whole Yugoslav economy is now geared to Western trade and aid. (Since 1949, Yugoslavia has received \$1.5-billion in aid from the West.) The people of Yugoslavia are well aware of what this means. When the news of the Soviet visit was first announced, housewives frantically stocked up on fats and flour, paying almost any price to get these necessities.

It isn't clear yet how long Washington will be prepared to see Tito play this game without cutting off aid. U.S. officials have been aware for some time that Tito was in the process of shifting his foreign policy.

- **Justified**—Even if Tito goes all the way, the Western investment in Titoism will have paid off. Without it, Tito would not be standing up to Moscow today and the Kremlin would not be offering concessions that are sure to weaken its hold on Eastern Europe. What the West may now lose in military defense by a Tito turnabout, it will gain from the crisis that is sure to develop in Eastern Europe as a result.



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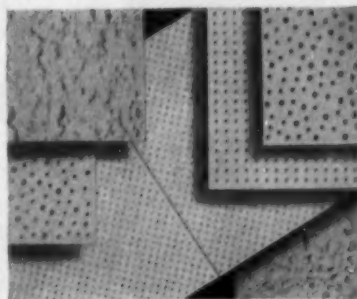
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material, Travertone has a handsomely textured surface with a light-reflecting white paint finish.

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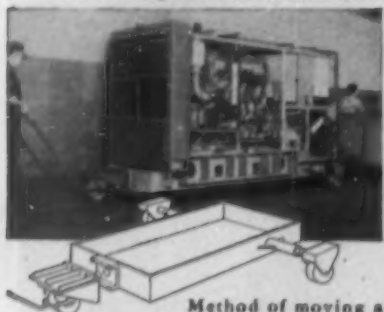
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CATERPILLAR TRACTOR Co.'s Peoria plant moves 11 ton engine on Faultless Casters



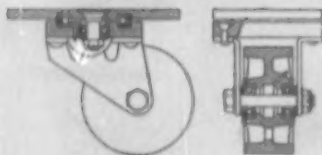
Method of moving a 22,000 lb. portable self-contained Diesel-electric set between assembly stations, is shown at Caterpillar Tractor Co. Brackets hold one Faultless swivel-plate caster, number 1306-10 and two Faultless special alloy, roller bearing wheels. Engine is guided with lever arm temporarily attached to axle bolt of the swivel caster. When the Diesel-electric assembly is completed, the brackets fastened to the swivel caster and the wheels are easily removed from the engine's permanent stand and used on new units. Several engines are in production simultaneously.

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Canada Sees Best Year Ever

Manufacturers are in a mood of prosperity . . .

I. G. Farben litigation drags on . . . New head for India's steel . . . British auto exports up.

Last week at the annual convention of the Canadian Manufacturers' Assn. in Montreal there was hardly a long face—despite the fact that 1954 corporation profits before taxes were only \$1.2-billion, 11% under the 1953 total.

The reason: Canadian business is out of the recession. The first quarter of 1955 has produced the highest gross national product in history, just topping the peak seasonally adjusted rate of \$24.6-billion in 1953's third and fourth quarters. Profits are expected to follow this trend although figures won't be available until the middle of this month.

In this mood of prosperity and confidence, delegates at the Mount Royal Hotel chewed over some old problems and some new ones. Leading the carryover was tariffs. Trade & Commerce Minister C. D. Howe showed up to defend the government's liberal trade policy.

But there was a strong expression of a widely held sentiment in Canadian industry that it must be protected, particularly against U.S. manufacturers who, Canadians believe, use their country as a backyard dumping ground.

Manufactured goods aren't the only U.S. imports that worry Canadian manufacturers.

The most heavily attended sessions of the conference were those devoted to labor problems. And it was guaranteed annual wage discussions that took the spotlight there. GAW is still just a specter to Canadian industry—only Canadian General Motors has heard anything from its workers yet and that has been low pressure. But CMA members wanted to find out all they could on the problem as early as possible.

One speaker at the conference, Morgan Reid, an assistant vice-president of Simpsons-Sears, Ltd., spoke up generally about the borrowing of ideas from the U.S. He wondered why it was necessary, for example, for Canadian manufacturers to use Davy Crockett. Couldn't they have chosen a Canadian hero, he asked.

Stockholders at the former I. G. Farben trust meeting in Frankfurt, Germany, last weekend got no great surprises.

The corporation's liquidation is likely to drag on for years, they were

told, with some claims against the company in extended litigation. A new board of directors was elected—seven of them former members of the Allied liquidation board. One of the new members was charged as a war criminal before the Nuremberg tribunal but was acquitted. So far, there are no indications of any attempt by successor companies to reconstitute the international cartel. Future meetings may see changes in this direction, but last week all was sweetness and anti-Nazism.

T. T. Krishnamachari, the private enterprise representative in the Indian cabinet who resigned and was recalled earlier this year because of disagreements with Prime Minister Nehru, has won a victory.

He will head up the new iron and steel ministry with control over steel production and supervision of the building of two new government steel plants—one by a German combine and one by the Russians. He will also take over negotiations with the British for building a third mill, and try to work out a deal to expand the Tata Iron & Steel Co., India's largest private producer (BW—May 21 '55, p146).

Germany's reborn civil air transport company, Deutsche Lufthansa (BW—Jan. 1 '55, p55), will begin regular Hamburg-New York flights three times a week next Wednesday. It began operating a domestic service in Germany and a European service last month.

British auto manufacturers showed a significant boost in exports during the first quarter of this year, in spite of growing overseas competition.

Exports totaled \$156-million, \$26-million over the same period in 1954. By and large, an increase to British Commonwealth markets more than offset the drop in North America and European continental markets. The British manufacturers blame their troubles on the Continent on what they call "the cult of the Volkswagen" (BW—Apr. 9 '55, p140). But they believe the German "fashion" will run its course and swing back in favor of British products.

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Mercy Hospital in Canton, Ohio, has four operating rooms, one sterilizing room. Needed: air conditioning to keep patients and personnel comfortable, safe from temperature and humidity fluctuations and chilling drafts. The local G-E contractor met this requirement—and held down costs, too, with three installation ideas:

Idea 1: Feeding cool water from the hospital's own well through a special coil gives the needed 16-ton air conditioning capacity with only two 5-ton G-E Packaged Units, saving the cost of six tons of air conditioning.

Idea 2: Feeding hot discharge water from the units into a simple heating

coil in each of the five zones permits close control of temperature—without the large, expensive equipment normally required. When any zone tends to overcool, automatic valves go into action, and warm air enters the zone. Cooling resumes when necessary.

Idea 3: Locating the compact G-E units in the lounge of the doctors' rest area, handy to operating rooms, minimized ductwork. Floor space required for installation: only 34 square feet.

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Safety and sanitation are of paramount importance in installations of this type. It is recommended that the services of a consulting engineer generally be employed in this kind of application.

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1 Installation by G-E trained dealers. I. Frisch (right) of Niagara Heating Co., G-E dealers in Canton, discusses plans for Mercy Hospital with M. Weisbrod, G-E distributor.



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THE MARKETS

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Green Pasture Overseas

The stock market in the U.S.—usually taken to mean trading on the New York Stock Exchange—has been a pretty listless affair since the new year was ushered in with 5-million-share-a-day pyrotechnics. Trading lately has repeatedly slumped below the 2-million mark, and the averages continue to drift—at high levels, of course—between tedium and ennui.

This sort of action, especially at high bull market levels, is causing many U.S. investors to look for greener investment pastures, and their gaze naturally turns across the Atlantic.

Since the Conservative victory in Great Britain last week, the tempo of American buying of British securities has picked up considerably. A few weeks ago, when most forecasters were predicting a Conservative victory, rumors flew around Wall Street—and Throgmorton Street—that control of the giant Bowater Paper Corp., which recently opened a \$60-million paper plant in Tennessee, had fallen into the hands of American investors. The rumors were unfounded, as control of Bowater is still firmly in British hands, but it pointed up the renewed inter-

est by Americans in British securities.

• **Receipts**—Last week another development spotlighted the quickening pace of American interest in British securities. The Irving Trust Co., of New York, announced it had started to issue American Depositary Receipts, which had been dormant for over 20 years due to depression and war. The receipts are really American counterparts, and look like an ordinary American stock certificate, of a stated number of foreign shares on deposit with the London or Amsterdam agent of the issuing bank. They will be traded on the over-the-counter market in this country. So, you can buy the receipts in this country and the agent bank abroad makes the transfer of ownership of the securities they represent without running the gauntlet of currency exchange machinery and other technicalities.

The receipts have two basic advantages for the American investor: (1) They make foreign securities more marketable here, and (2) the cost of transferring a receipt is considerably less than the cost of transferring ownership of the stock itself in Britain, where there is a 2% transfer tax.

It's hard to say whether the active trading of ADRs will actually step up trading in British securities even further but the initial response to them has been good, and a few New York brokerage houses are maintaining active markets in them.

• **Yields**—Even without the stimulus of ADRs, there are plenty of reasons why Americans are turning to London and, to a lesser extent the Continent, for new investment outlets. The biggest reason is that yields are higher and price earnings ratios lower on most British stocks than comparable figures on same-quality issues here. For instance, the yield on the stocks in the Financial Times Index is around 4.8% compared to 4.1% on Standard & Poor's 50 industrials.

Another lure to U.S. money is the continuing strong industrial recovery in Great Britain and West Germany, where the stock market has soared far ahead of its U.S. counterpart (BW—Feb. 5 '55, p40). And that prosperity is now surging ahead in an atmosphere of the strongest talk of peace in some time. Even this week's British rail strike hasn't shaken top-grade industrials to any great extent—the Financial Times Index is near its all time high.

Most of the buying abroad by U.S. investors so far has been pretty much limited to blue chip industrial issues and better grade African mining stocks. Indications are that most of it is being done by institutional buyers and investors usually characterized as "smart money." They pick their spots carefully and are well versed in the hazards of trading in foreign securities. Much of their buying is done in companies well known in the U.S. such as Imperial Chemicals, Unilever, and Bowater.

• **Speculation**—Some observers of the overseas securities markets are a little worried, however. Since the first of the year, the London, Amsterdam, and Hamburg markets have all outperformed S & P's 50 industrials and now these observers warn that speculation is dangerous.

The West German stocks are all overpriced now, they say, and unsophisticated, "tourist-type" buyers "who act on tips, and continually look for cheap stocks without regard for quality" are becoming more common both there and in London. One experienced hand in the foreign markets also points out that, "If you buy foreign securities now, you are no longer getting in on the ground floor—the smart investors got in back in 1949, and have already made their killing."

Wall St. Talks . . .

. . . about margin trading . . . the sticky market for corporate bonds . . . the dip in rents . . . steel financing.

Broker-and-dealer loans on non-government securities are still climbing in New York banks. Last week they went up another \$85-million to \$1,995-million; that's \$880-million above a year ago, and the highest since the New York Fed adopted its present method of collecting the data. Recent stickiness of many new issues (below) accounts for part of the rise, but some bankers reckon that 50% or 60% of the increase went into brokers' margin accounts.

You hear some strange rationalizing about the rise in margin trading. As one broker explains it, "Margin buying has become a convenience—not a necessity. Such traders don't have to worry about bookkeeping, dividends, and similar things; a broker handles all that." ("Their only work," adds a Street wag, "is the cost of their loan, plus the market's price trend.")

\$100-million on the shelf. That's the estimate of unsold corporate bonds in the hands of various marketing syndicates at the start of this week. Sales had been slowed by too rich pricing on much of last week's spate of new issues (BW—May 28 '55, p46). Particularly sticky were Detroit Edison and Potomac Electric Power offerings at 3.25%.

"About as expected," is the typical Wall Street reaction to the Fulbright Committee report on the "friendly" investigation of the market. Individual opinions range from "very constructive" to annoyance at certain conclusions.

The decline of rents in the April cost-of-living index, small as it was, isn't going unnoticed on Wall Street. Streeters admit that the drop of some 0.1% may be only a statistical quirk, but it is the first decline since 1942. In the light of talk about overbuilding here and there, it looks significant.

The biggest splurge of steel equity financing in 25 years may come if the steel industry goes through with its latest expansion plans. The Street expects the outside funds for expansion to be raised largely by sale of convertible debentures and common.



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The Bargaining Area Ford's Offer

When the Ford Motor Co. placed its first offer of contract terms before the United Auto Workers (CIO), last week, the terms were read with unbelieving astonishment and dismay by management men around Detroit. They were much more generous than anyone had expected. And, even more important, they opened up a vast and expensive new area of "fringe" bargaining.

Ford's offer and UAW demands have been reshaped in the twist and pull of bargaining in the past few days (page 25). Now, instead of skirting around guaranteed work or wages, Ford has met the issue directly at the bargaining table. In doing so, it has started the guaranteed annual wage on its way into major industry.

But what Ford placed before UAW as its first real proposal still has more than academic interest for management men, regardless of where collective bargaining finally ends.

• **Significance**—What Ford proposed to UAW was a lavish "package" of fringe benefits which the company estimated would cost it between \$95-million and \$100-million a year. On a basis of 2,080 hours per year for each of Ford's 140,000 hourly-rated employees, this would mean an offer of about 37¢ an hour—just about what UAW demands would cost (table).

This monetary value of the Ford offer was, by itself, enough to disturb other managements. In the steel industry, for instance, mills have been thinking in terms of a settlement running, possibly, to about 12¢ an hour (BW—May 7 '55, p. 160). With Ford's offer widely publicized, United Steelworkers (CIO) demand figures reportedly have risen from around 18¢ an hour to 25¢; if mills do manage to settle for the 12¢ expected earlier, it will need some very tough bargaining.

But the money value of the Ford offer is only one significant feature of it. The second could be even more trying for management.

In its effort to stave off GAW, Ford offered such fringe benefits as a contractual stock purchase plan, interest-free loans to workers who are laid off, and severance allowances. The fact that Ford offered these things voluntarily can be expected to encourage unions throughout the country to be bolder in demands for expanding the broad field of collective bargaining.

In particular, the Ford offer of a stock purchase plan for employees—to be incorporated into the labor contract—came as a blow to many employers who have been fighting a National Labor

What UAW Wants

Guaranteed Work or Wages

A guarantee of work or pay on a 1-for-2 basis: one week guaranteed for every two weeks worked. This would be financed through (1) a reserve fund costing Ford 8¢ an hour, and (2) pay-as-you-go outlays with an additional 8¢ an hour maximum liability. UAW has amended its original demand for a 40-hour guarantee to one for 80% pay—equal to 32 hours.

An additional guarantee of 40 hours' work or pay for any week in which an employee works at all.

Stock Purchase Plan

No demand.

Wages

An across-the-board "catch up" pay hike amounting to 5¢ or more, in addition to...

A 1¢ increase in the present annual improvement factor to 6¢ an hour.

Further pay hikes for jobs in a skilled trades classification.

What Ford Offers

An "income stabilization plan" providing for interest-free loans to workers who are laid off—drawable any time within a year of the layoff—to be repaid on returning to the job on a weekly basis of half of earnings for hours in excess of 32 a week. The loans would be enough to give workers 32 hours' pay, including unemployment compensation. The extent of a worker's borrowing would be determined by his seniority—eight weeks for one year, 58½ for 15.

A separation allowance for workers with at least a year's seniority if laid off permanently. This would amount to 40 hours' pay for each year of seniority through the eighth and then 80 hours' pay for each additional year to a maximum 30. The 30-year employee would be eligible for a full year's (2,080 hours) pay. But to get it, a severed employee would surrender seniority but not pension rights.

Workers with a year or more seniority could invest up to 10% of gross pay in a fund to which Ford would contribute an amount equal to half the individual worker's investment. Half of the individual's savings would go into government bonds; the other half and all of the company's contribution would be put in Ford stock when it becomes available—in U. S. bonds until then. The individual investment in Ford stock would be guaranteed against any loss. A worker withdrawing from the plan could not claim any part of the company contribution until after two years, all of it in five.

No offer.

Change the annual improvement factor to 2½% or 5¢ an hour, whichever is greater; worth 5¢ to 8¢ an hour.

Wage increases of 5¢ to 10¢ an hour for certain skilled workers.

Relations Board order, in the Richfield Oil Corp. case (page 70), making stock purchase plans negotiable (BW—Oct. 23 '54, p. 162).

• **Key to Future**—Ford's offer, as a

whole, rocked managements of smaller Detroit plants dealing with UAW. Said one: "How in the world can we keep the union happy with anything we can afford to offer?" The consensus

Opened Up

What UAW Wants

continued

What Ford Offers

Time-and-a-half for Saturday work, as such.

Double time for Sunday work, as such.

Triple time for work on holidays.

A 20-minute paid lunch period.

No demand.

A shift premium of 7½% for the afternoon shift, and 10% for the midnight shift.

Vacations and Holidays

Three weeks vacation for 10-year employees (who now get two) and four weeks for those with 15 or more years (now three).

No demand.

Time-and-a-half for Saturday work, as such.

No offer.

Triple time for holidays specified in the contract.

No offer.

Change of the present cost-of-living escalator formula to make it more volatile.

An increase in the midnight shift premium from 7½% to 10%.

Two and one-half weeks vacation for workers with 10 to 15 years' seniority, then three weeks.

A seventh paid holiday, to be split to give half-holidays on Christmas Eve and New Year's Eve.

Increased sickness, accident, medical, hospitalization and surgical benefits — with Ford paying the additional costs.

An increase from the present \$1.75 to \$2 per month for each year of service, for a maximum of \$188.50, including social security (now \$161).

To withdraw other demands, leaving "terms of the present contract, except those affected by this proposal in force ... in the interest of prompt settlement."

Another five-year contract.

An estimated 35¢-37¢ an hour with Ford also agreeing to increase its "package" to match General Motors terms if they are more favorable to UAW.

Insurance

Improved group insurance and hospitalization and surgical insurance to be paid in full by the company.

Pensions

Increase in retirement pay from \$1.75 per month per year of service to \$2.50 with elimination of present 30-year ceiling on the accumulation of credits.

Noneconomic Terms

Varied technical proposals covering representation rights, seniority, grievance handling, management responsibilities, etc.

Contract Duration

No more five-year contracts.

Possible Cost

An estimated 35¢ to 40¢ an hour.

was that UAW would snap up the package, and that what Ford offered would be demanded in turn from others in auto and allied industries.

• **Turndown**—The union, nevertheless,

rejected the terms, promptly and bitterly. The turndown wasn't based on dissatisfaction with the cents-per-hour of the offer. Rather, UAW's action was due to two things:

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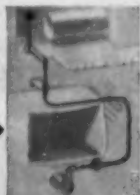
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See Clues on page 154

(1) The Ford terms were contingent on the union accepting another five-year contract. As late as Wednesday night, this still appeared the critical bargaining issue.

(2) The terms did not have even a trace of language that recognized UAW's demand for a guaranteed employment plan. Ford offered, instead, an "income stabilization plan" and a program of severance allowances. The auto union objected to both in their original form. On Wednesday, Ford apparently had shifted closer to UAW's demands for guaranteed work or pay, minimizing GAW as an issue.

In particular, the union opposed the Ford offer of interest-free loans to workers laid off in its plants as completely ignoring the "real purpose" of the auto union's GAW demand: The Ford offer, the union noted, would not put a cost penalty on layoffs and therefore would not prompt the company to schedule full work weeks throughout the year.

UAW also rejected the separation allowance offer—Ford's answer to UAW's argument that coming automation creates a need for GAW—as completely unacceptable. This was because, under the terms of Ford's original offer, any worker claiming separation pay would have had to forfeit all "rights and credits under any other company or company-union plan or agreement, including... seniority, service credits under the retirement plan unless vested, and retirement insurance."

• **Back and Forth**—Ford subsequently amended its offer to provide that a worker 40 years of age or more could collect separation pay without jeopardizing his right to a pension at age 65, but it did not alter its position, at that time, on the forfeiture of other rights.

Even while rejecting the Ford loan and severance allowance offers, the union recognized them as an attempt to wrestle with problems of layoffs and technological unemployment—and therefore as a sound basis for further bargaining. This brought GAW to the negotiating table.

• **Stock Plan**—Another part of the Ford offer—perhaps with far-reaching implications in industry—was a voluntary "savings and stock participation plan" for employees. Since UAW had demanded nothing like it, the offer was widely interpreted as a Ford bid to buy its way out of GAW. The union's bitter reaction to the offer indicated that UAW shared that view.

If Ford employees should accept the plan, and participate fully in it to the allowable maximum 10% of gross pay, the cost to the company would be about 12¢ an hour. UAW seized on this figure, developed at the bargaining table

over the Memorial Day weekend, for a counterproposal to Ford: Put the 12¢ and the cost of the loan plan and the separation allowance program into a modified guaranteed work or wage plan, the union said, and the auto workers would agree to it.

• **Calculations**—This pinpointed the cost of what Ford offered and what UAW sought at a single figure: 12¢ an hour plus the unspecified cost of the two other important parts of the Ford plan. This minimized money arguments and shifted the bargaining emphasis to differences of viewpoint on how the money should be allotted.

On most economic terms, the Ford offer and UAW demands weren't far apart. The company agreed in its initial proposals to the union:

• To compound the annual improvement factor, as UAW demanded, but to set it at 2½% instead of the 3% asked by UAW, with a minimum 5¢ an hour annual increase. Under the expiring Ford contract, workers got 5¢ raises yearly because of increased productivity; under the new plan, they would get 5¢ to 8¢ an hour.

• To calculate changes in pay on a basis of 1¢ for each 0.5-point change in the government's monthly cost-of-living index; the rate has been 1¢ for each 0.6-point change. The Ford proposal would make wages go up faster—and drop faster—as the c-o-l shifts up and down.

• To give skilled workers additional pay hikes of up to 10¢ an hour, as demanded by UAW, and to give other "fringe" increases in overtime rates, shift premiums, and the like at a further cost estimated at just under 2¢ an hour.

• **Fringes**—Likewise, the Ford offer contained important concessions to UAW on pensions and on insurance—although in both instances less than the auto union was asking. Importantly for industry in general, because it means new union demands, Ford offered to meet UAW part way on the vesting of pensions—proposing to vest rights to retirement pay for employees with 10 years' service at age 40.

Ford did not accept the UAW demand that health insurance be financed entirely by the company, but it offered increased benefits with all the additional cost to be met by the company.

• **Withdrawal**—At the start of bargaining two months ago, Ford put a batch of demands of its own before the union—most of them designed to tighten the terms of the contract, or "restrict" it as the union complained (BW—May 28'55, p167). In making its offer of settlement terms, with the deadline for a strike nearing, Ford withdrew these demands on the union. This cleared the air considerably in the final, decisive stage of bargaining.



MAXWELL RABB, White House aide on minorities, helped set up anti-bias group.

The War on Bias

Eisenhower committee works gently and slowly to prevent job discrimination on federal contract work.

Most unions—particularly in CIO—have been demanding a strong federal anti-discrimination program ever since the World War II fair-employment-practice order expired nearly 10 years ago. And not long after Pres. Eisenhower took office, he made some first, limited moves against job bias.

He established, with the aid of White House minorities specialist Maxwell M. Rabb (picture), a top-level tripartite President's Committee on Government Contracts, to investigate and end job discrimination in government contract work. Critics scoffed at the new body's "velvet glove" assignment; it couldn't succeed, they predicted, without enforcement power.

• **Moving Slowly**—Since then, the committee has scored some successes in 136 cases processed under its voluntary system of mediation, education, and persuasion. On the record, they seem like small pickings compared with the discrimination that exists in the job force needed to handle the government's 6-million contracts a year. The committee's policy has been to move slowly, hoping to develop a psychology that would lead the parties to government contracts to act against bias on their own volition.

In the next few weeks, the committee will tackle its biggest case yet, one involving job practices in an entire industry. Behind it is another major test, even bigger, perhaps. Much de-

pends upon how the committee copes with these cases:

In the oil industry, where Negro employees charge that in the Southwest they are discriminated against under company and union policies involving hiring, upgrading, wages, seniority, apprenticeship and training, and "in all other respects material to job security and advancement."

On the railroads, where operating brotherhoods are charged with barring Negroes from promotion to top-rung jobs.

These cases have broad implications, particularly throughout the South, where "area practices" now limit the employment of Negroes in construction, textile, chemical, lumber and woodworking, and other industries with federal contracts. For the first time, unions are excited. It is "entirely possible," they say, that through these and "several similar but less far-reaching cases, the government may soon force substantial changes in employment practices . . . in the South."

The oil industry charges, first to be heard, are directed against the Esso Standard Oil Co., Baton Rouge, La., and the Independent Industrial Workers Assn.; Cities Service Refining Corp., Baton Rouge, and the Lake Charles Metal Trades Council (AFL) and Local 969 of AFL's Teamsters; Carbide & Chemical Co. and the Galveston (Tex.) Metal Trades Council (AFL) and the AFL Operating Engineers; and Lion Oil Co., Eldorado, Ark., and Local 381 of the Operating Engineers and Local 434 of the Oil, Chemical & Atomic Workers (CIO).

• **A Pattern**—The National Assn. for Advancement of Colored People filed the complaint for 32 Negro employees of the four companies. The complaint adds that "the pattern of discrimination" allegedly practiced against the 32 employees "is not confined either to the specific companies, unions or locals named, but is prevalent throughout the entire industry."

Moreover, the practices, according to the complaint, are "in spite of the companies' contracts with the . . . government not to discriminate with respect to employment and in spite of the statutory obligations of the unions to represent all employees fairly and impartially without discrimination on the basis of race or color."

• **Procedure**—Once charges have been made formally to Vice-Pres. Richard M. Nixon, as committee chairman, the procedure goes like this:

• The status of the companies as holders of government contracts is determined officially.

• The contracting agencies of the government are notified of the complaint, and investigate its charges; one of the committee's biggest jobs is rid-



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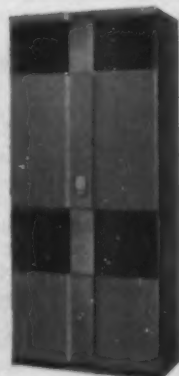


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ing herd on other government agencies.

• Meanwhile, private talks are held with companies and unions, with the committee urging voluntary moves to end any bias that might exist.

• Finally, the committee—other steps having failed—attempts to mediate; emphasis is necessarily on the employers then, because they hold the government contracts and signed the no-bias terms.

Frequently, a bias case is settled in the early stages, as was one against Armour & Co. alleging discrimination in hiring for office work (BW-Mar.26 '55,p108). This isn't always so. A 10-year bar against hiring Negroes as drivers for the Capital Transit Co., in Washington, was ended only after 14 months of negotiations.

The oil industry charges are in the initial stage, as are those involving the nation's railroads. It's a safe assumption that in both instances it will be a long time before the committee achieves any concrete results—since historic employee relations practices must be altered to achieve them, and the Administration has little disposition to do this by edict.

LABOR BRIEFS

Government intervention no longer can be counted on to bail out management and labor if they "move carelessly into labor disputes," Joseph E. Moody, head of the Southern Coal Producers' Assn., warned an American Management Assn. conference in New York last week. Moody cited the recent rail strike in the South—which lasted 58 days—as new evidence that the "government isn't going to come to your rescue" except in the gravest national emergency.

Independent unions in Chicago have set up their own federation for "mutual protection" against raids, once AFL and CIO merge—and to give a haven to any groups dissatisfied in a united AFL-CIO. At the start, 16 unions (mostly local independents) with 35,000 members are in the Chicago federation; the current potential is 60 locals representing 100,000 workers.

Guy Farmer, Eisenhower-appointed chairman of the National Labor Relations Board, announced that he will not be a candidate for reappointment when his term expires in August. Labor—which has been strongly critical of Farmer—plans to demand that the vacancy go to a labor representative "to balance in a measure the pro-management and rural backgrounds of the other members."



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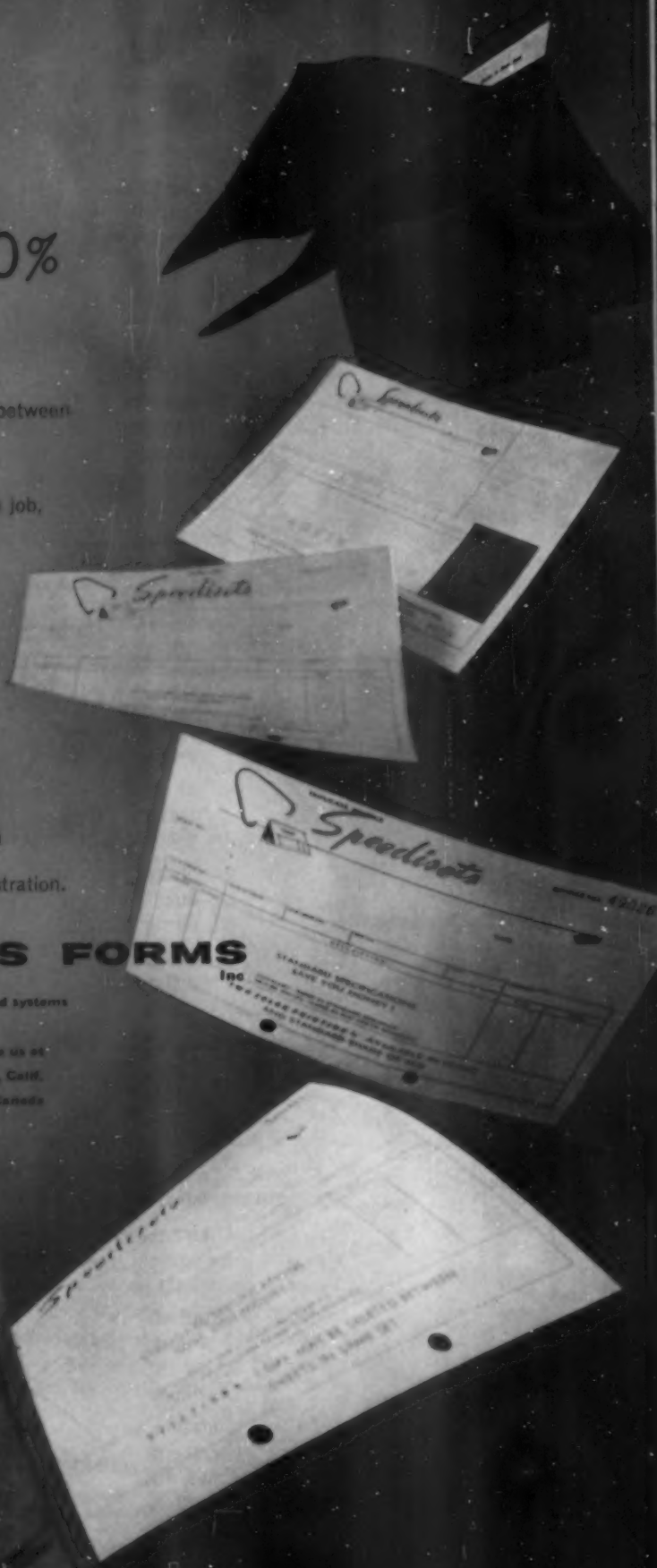
The Speediset makes office work easier and more efficient. A typist doesn't stop to stuff carbon between paper, jog it into place, then adjust parts in a machine. The Speediset, custom-made for each job, has the right number of parts. Carbons are in place for one-time use. A perforated stub holds the set in perfect alignment for accurate register. After writing, a twist of the wrist separates copies from carbons. Speedisets keep parts clean and legible to the last copy. Users save 60% of nonproductive labor in typing operations. Ask the Moore man for a demonstration.

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PERSONAL BUSINESS

BUSINESS WEEK

JUNE 4, 1955

A BUSINESS WEEK

SERVICE

The "pro-taxpayer" 1954 Internal Revenue Code didn't do a great deal to ease the taxpayer's burden.

The reason lies in the tax rates: They are still pegged at a high level. There's some indication that there will be some tax cuts in 1956. But certainly prospects for cuts this year are nil at the moment.

In spite of the rates, individuals in the higher brackets can ease their tax burden sharply—through investments that don't bear the full brunt of the tax laws.

Important members of this tax-sheltered group are the tax-exempt obligations issued by states, counties, cities, and their subdivisions. Since interest from such bonds is not taxed at all, their yield—when compared with the net yield from taxed securities—is actually greater than the rate stated on the bond's face.

For example: You paid \$20,000 for 100 shares of A Co. stock. This year, a \$1,000-dividend is paid, giving a 5% return on your investment.

However, if you are in the 53% tax bracket, you will get only \$510 of that dividend—since \$490 of it goes to Uncle Sam (taking into account the 4% dividend credit). Thus the real yield from the stock is 2.55%, not 5%.

This doesn't mean, of course, that a tax-exempt is always a better buy taxwise than a taxed security. How can you tell when it is?

Simply compare the tax-free yield with what you would have left after taxes if you buy a taxed security with the same amount of money. Remember that your taxable income is an important yardstick.

To illustrate, here are a few figures to show how much a fully taxed security must produce to equal the yield from a 3% tax exempt (figures are based on rates applicable to married persons filing a joint return):

If your taxable income is \$12,000, you will need a yield from taxables of 4.1%. For a \$20,000 taxable income, the yield would have to run at 4.5%; for \$40,000, 6.4%; for \$52,000, 7.3%; for \$100,000, 10.7%.

In other words, a 3% tax-exempt will give you a better buy from a tax standpoint only when a taxed security does not pay enough higher interest to give you an equivalent actual return.

When you go into the market to buy tax-exempts, you'll find two types of state and municipal bonds.

The first is the "general obligation" bond. Behind it stands the full taxing power of the governmental body—in effect, it is a first lien on all real and personal property within the locality.

The other kind of bond is the "revenue bond," issued to cover a self-supporting improvement (such as bridges, tunnels, thruways, water systems). It is not backed by the state taxing power and all local assets; instead its earning power is dependent on the money the project takes in.

General-obligation bonds are traditionally considered safer investment. But this safety factor usually means they give a lower yield than do revenue bonds. (Not always, though. Sometimes a revenue bond issued by a substantially sound authority may return a lower yield than a general obligation of a city that is heavily in debt.)

PERSONAL BUSINESS (Continued)

BUSINESS WEEK

JUNE 4, 1955

Yields from both kinds of tax-exempts can vary widely—from a low of about 1.25% to highs of 3.5%. Usually, the percentage of variation depends on the quality of the bond. (But remember that, like all securities, municipals fluctuate too.)

Here's a general rule-of-thumb: the higher the yield of a certain bond, the higher its element of risk. So before you buy, consult a bond specialist. He can give you expert advice on the degree of risk, and on the adequacy of the yield.

—•—

New insecticide developments should make your summer more bug-free than ever. Most unusual is a pill you can take called Bite-Ban, which its makers claim will keep mosquitoes from biting from 12 to 36 hours. It has no taste or odor, is available at drug stores in some areas.

For general insect control indoors, the spray bomb with a base of petroleum distillate is still best. The ingredient to look for on the can is pyrethrins. This is the most powerful component for killing flies and mosquitoes. (Allethrin is a synthetic of pyrethrins and may be used instead.)

Most household spray bombs also contain about 2% DDT or chlordane for long-lasting insect killing. Prices range from about 60¢ to \$2.

For outdoor use, chemical experts say that the new baited insecticides have proved most successful against summer bugs—including flies and mosquitoes. They are generally malathion, Diazinon, or phosphate flakes with a sugar base.

These insecticides are smaller than corn flakes, come in shaker containers, sell for about \$2 per pound. They will keep a yard or terrace bug-free if shaken around the area you plan to use.

Warning: Don't use these flakes inside—some of the chemicals are highly toxic. And keep them away from food and eating utensils.

—•—

Eastman Kodak's Ektachrome color film is now available for 35-mm cameras. Ansco has a similar film—Ansochrome—also available in 120 and 620 film sizes. (Ektachrome will also be available in other sizes.)

This kind of film has two big advantages for the amateur: (1) It is about three times as fast as Kodachrome, so it makes possible pictures in poor light; and (2) it can be developed at home by the novice.

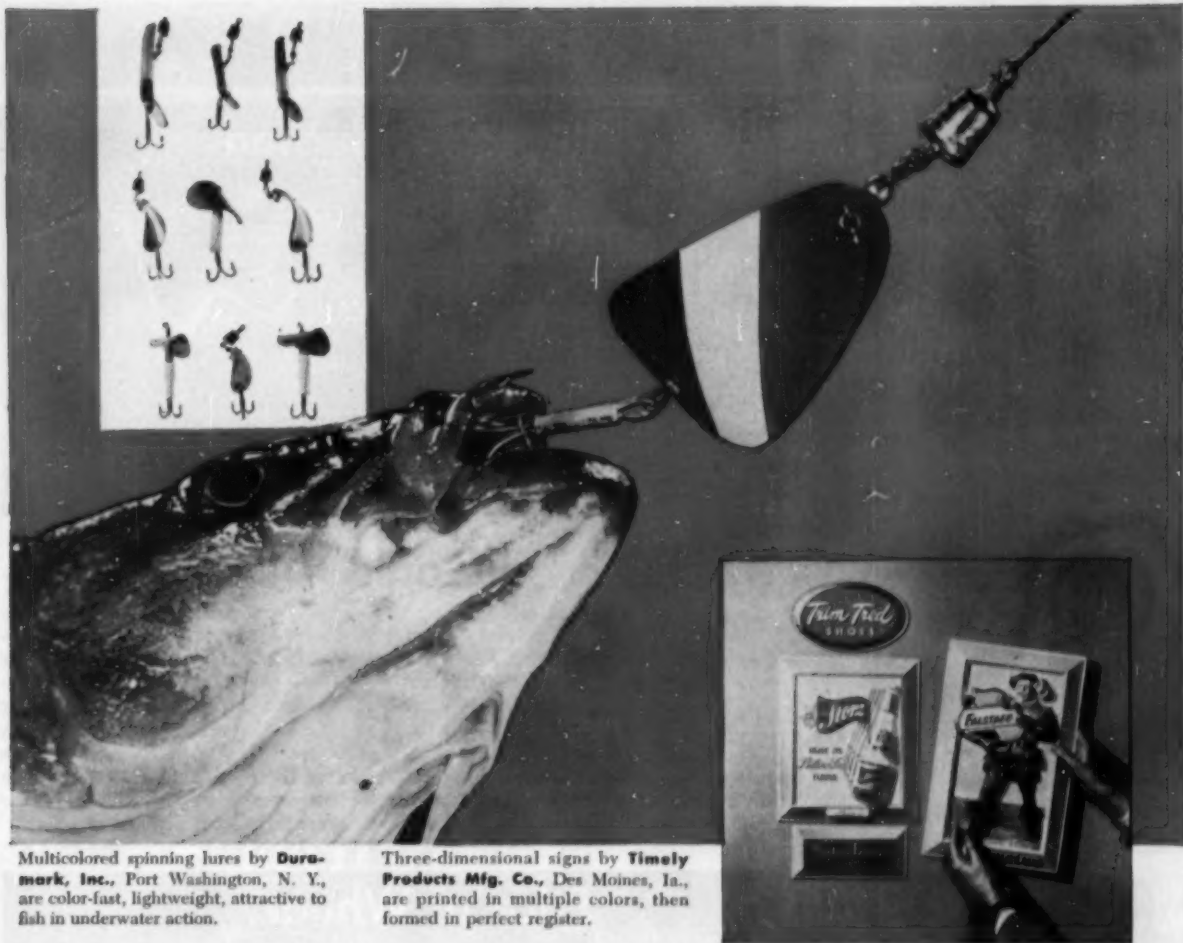
Kodak has a special developing kit—the Ektachrome E-2 (\$1.80). It contains all the material needed, has easy-to-follow directions. One kit will develop four 20-exposure rolls of Ektachrome.

—•—

If you're to be the father of a bride or groom in June and are uncertain as to how to dress, follow this one simple rule: Wear what the groom wears.

—•—

Don't miss your 25th college reunion if it comes up this year. The alumni office of one Ivy League university says that the largest number of alumni consistently come back for their 25th. So you'll probably see more of your classmates than at any other reunion.



Multicolored spinning lures by **Dura-mark, Inc.**, Port Washington, N. Y., are color-fast, lightweight, attractive to fish in underwater action.

Three-dimensional signs by **Timely Products Mfg. Co.**, Des Moines, Ia., are printed in multiple colors, then formed in perfect register.

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Common and Preferred Stock Dividends

The Board of Directors of Safeway Stores, Incorporated, on May 10, 1955, declared the following quarterly dividends:

60¢ per share on the \$5.00 par value Common Stock.

\$1.00 per share on the 4% Preferred Stock.

\$1.07½ per share on the 4.30% Convertible Preferred Stock.

Common Stock dividends and dividends on the 4% Preferred Stock and 4.30% Convertible Preferred Stock are payable July 1, 1955 to Stockholders of record at the close of business June 15, 1955.

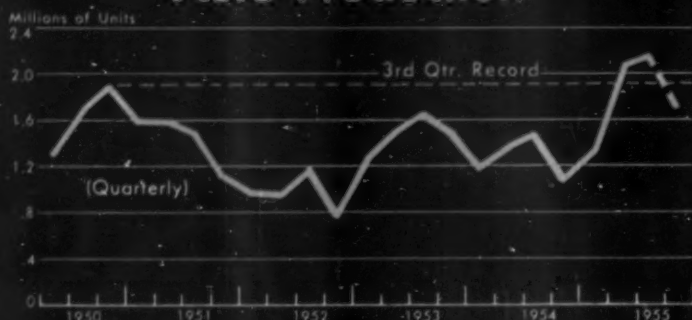
DRUMMOND WILDE, Sec.
May 10, 1955



WHEN BUSINESS MEN WANT BUSINESS NEWS THEY TURN TO BUSINESS WEEK

CHARTS OF THE WEEK

Auto Production



Data: Ward's Automotive Reports.

Third Quarter Looks Good, Too

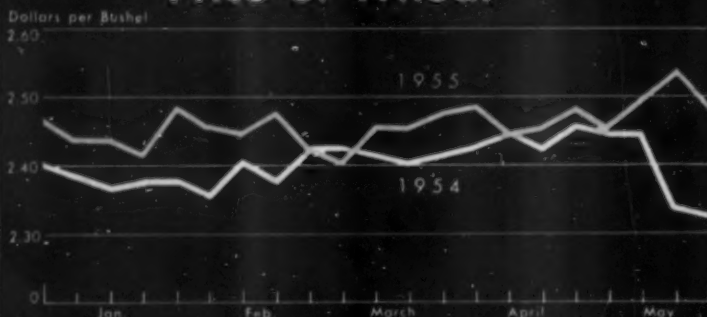
Auto production in the third quarter should run around 1,782,000 units, a drop of 20% from the 2,219,000 [record] expected for the second quarter, according to Ward's Automotive Reports.

If Ward's estimate is right, third-quarter 1955 will be the second highest July-September stretch on record, topped only by the 1950 period which was

boosted up by excessive demand following the Korean outbreak. Ward's thinks the pace can be held despite changeovers, which will trouble one make of car in June, and seven in July and August.

As for the over-all January to June figures, 1955 is bound to stand as the highest ever, no matter what may arise this month in labor negotiations.

Price of Wheat



Data: Dean AgriStat.

22 Hard Winter Wheat, Kansas City

Short Supply Sends Them Up

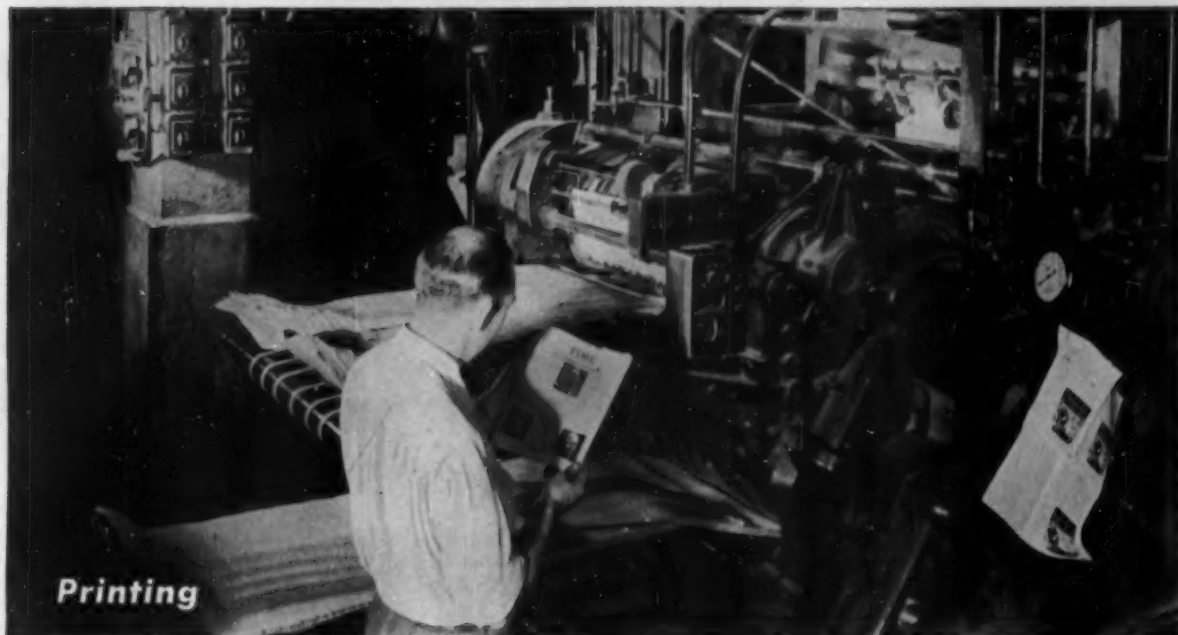
Wheat prices are jittery over an expected shortage in the free supply. In recent weeks, the price has climbed, whereas at this time last year it was starting to tumble—as is usual when harvest time approaches.

The situation is reversed this year because adverse weather conditions have taken a toll in the upcoming harvest. The Agriculture Dept. recently trimmed its earlier forecast by 10-million bu., cutting the winter wheat crop to 653-mil-

lion bu. Added to the 177-million bu. of spring wheat to be harvested this summer, the year's total will fall some 45-million bu. short of the 875-million bu. the department figures as the nation's minimum for domestic and export needs.

The government still holds more than 1-billion bu., and the expected shortage would help trim this. But the price would have to meet the support level if the grain is to come out of storage.

PRINTING WITH FLAME...to keep news hot

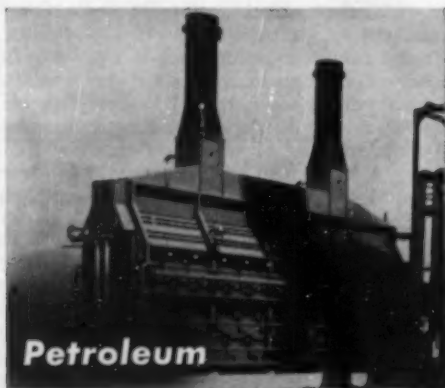


SMALLER OVERALL CAPITAL INVESTMENT AND SAVINGS IN SPACE... come from use of Selas heat processing, as employed on this deck press turning out *TIME* magazine. Printing speed for two colors on two sides reaches 1000 fpm, or 20,000 64-page magazines per hour. Prior to Selas dryers, press speeds were limited to about 350 fpm. (Photo: The Cuneo Eastern Press, Inc. of Pennsylvania)

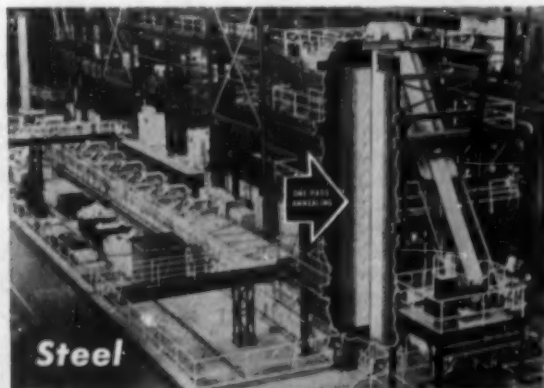
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PRODUCTION

Drawing on Europe's Ideas

- Companies want new processes to help them expand, diversify
- A two-way transatlantic traffic in processes and techniques has grown out of that demand.
- Here are some samples of the kind of swaps U. S. consultants have been arranging.

Last November, Allied Chemical & Dye Corp.'s Solvay Process Div. turned on a new plant for making chloromethanes. Men from an outside engineering company stood by for the opening ceremony; they breathed a long sigh of relief when the plant went into operation. For them, it was the end of a difficult search that began when Allied called them in and asked them to find the right process for the projected plant.

The search for a process started in the U.S., but ran into a dead end. It reached across into chemical-wise Germany, but hit another dead end there. The hunt finally closed in Milan, Italy, at the plant of Montecatini, S. A., a big chemical producer.

Montecatini makes chloromethanes by reacting chlorine with methane, a natural gas product, instead of employing the usual acetylene. The raw materials and the process were exactly what Solvay had in mind. So the consulting firm engineered a plant for Solvay, adapted the European operation to suit U.S. conditions and standards.

In France, another producer, Pechiney Cie. de Produits Chimiques et Electrometallurgiques, wanted to get into a similar line of products using roughly the same process. There was one technical snag: Pechiney lacked a source of natural gas from which to get methane. But it did have a good supply of liquefied petroleum gas, a raw material that's chemically related to methane. So the U.S. consulting firm juggled the processing formula again, came up with one that suits Pechiney. After the design details are finished, Pechiney's producing plant will go into the works next year.

I. Transatlantic Traffic

Lots of companies want new processes to speed their diversification. So, for production men there's always the question: How do you go about finding

a new process? Scientific Design Co., Inc., New York—the consulting firm that managed the international process swapping for Allied Chemical & Dye, and for Pechiney—has made itself a specialist in just this field.

S-D is an old hand at the business. It hung out its shingle right after the war, with an eye on the untouched technology that had grown in Europe during the war years. It planned to soak up some of that foreign savvy, re-engineer it, and market its experience in the U.S. Logically, it carried U.S. chemistry back to clients in Europe. Last year, S-D's business reached \$15-million.

• **Manpower for the Hunt**—It hasn't been alone in picking Europe's technical brains. Engineers and researchers from nearly every top U.S. chemical firm have been pouring into Europe. The big rush started about 1950, and it's still on. Says one U.S. representative in Frankfurt: "If anyone has remained back home, he must be in the snake oil business."

The result of the transatlantic commuting has been a whole raft of co-operative deals between U.S. and European chemical companies:

• **Monsanto Chemical Co.** combined with **Farbenfabriken Bayer, A. G.**, Leverkusen, Germany to form **Mobay Chemical Co.**, St. Louis. The new company is now building a plant at New Martinsville, W. Va. It will produce a chemical group called urethanes that go into paints, tires, cushions, and fabric insulations.

• **Atlas Powder Co.**, and **Th. Goldschmidt G. m. b. H.** have set up an offspring in Essen, Germany. Their **Atlas-Goldschmidt G. m. b. H.** will research and develop the processing of surface active agents and emulsifiers.

• **Battelle Memorial Institute**, Columbus, Ohio, moved into a new laboratory building in Geneva, Switzerland, and expanded its technical staff in Frankfurt, an old stamping ground for Battelle.

Working the reverse field, Scientific Design has found European companies eager to pick up the newest in U.S. processing. Right now, it is designing a plant, based on its own engineering work, for **Compagnie Francaise des Matieres Colorantes**, near Paris.

The product is maleic anhydride, a corrosive and hard-to-make organic chemical used as a base for alkyd plastic resins, fungicides, and other specialty chemicals. S-D engineered the same processing for **Reichold Chemicals, Inc.**'s plant at Elizabeth, N. J.

II. Making It Work

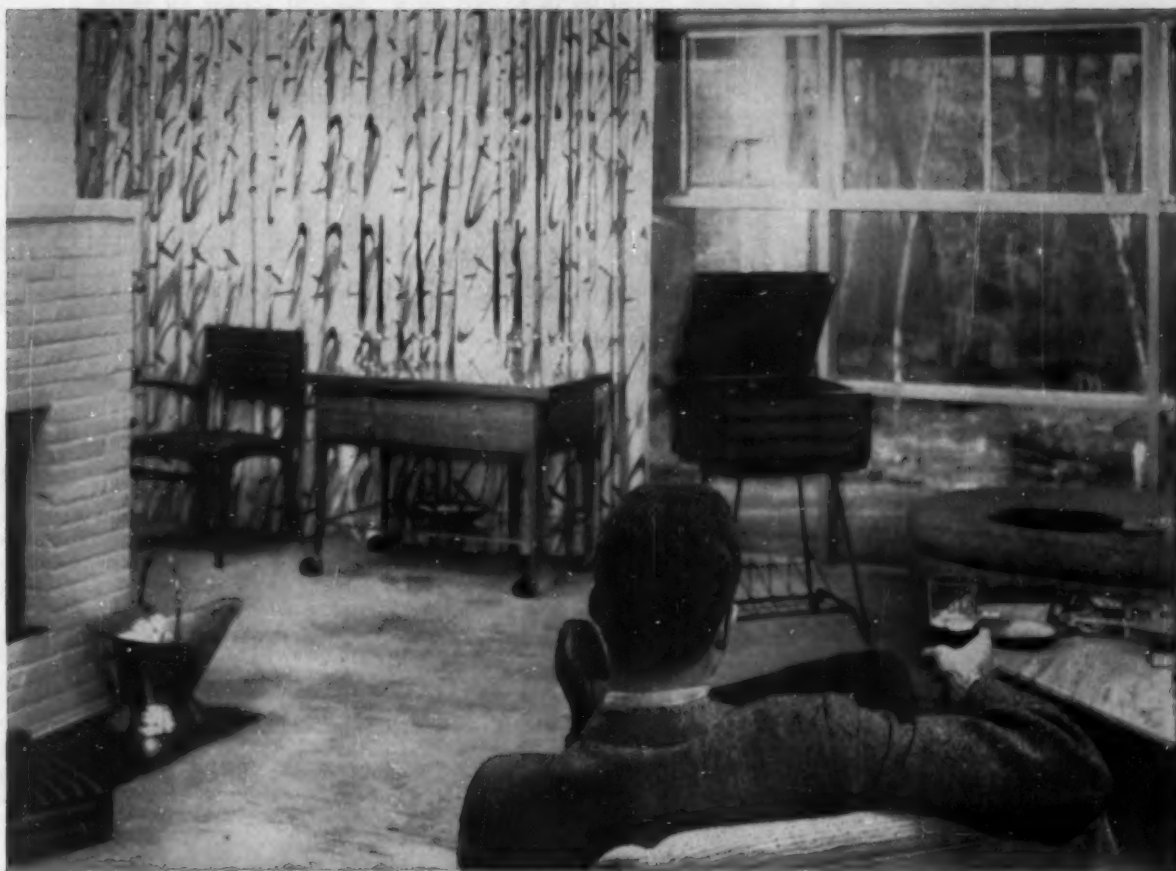
Scientific Design got its good start in consulting engineering by: (1) opening its shop in Europe sooner than most of its competitors, and (2) picking out a field in chemistry that was being passed over by the big engineering consulting firms.

From the beginning, S-D has specialized in a narrow field of organic chemicals, those that chemists generally agree are difficult to make—such products as citric acid for foodstuffs, and ethylene oxide for antifreezes, detergents, and synthetic fibers.

• **The Hunters**—Having picked out its narrow market, S-D went after a share of the U.S.-European sales with the help of three good business tools. Its founders were top-notch in their fields: **H. A. Rehnberg**, specialized in construction; **Dr. Ralph Landau**, in client sales; and **R. B. Egbert**, in chemical engineering. The other two tools were an office in Paris, and a full-scale pilot plant, at Port Washington, N. Y., that develops processing techniques.

Head of the Paris office is **P. E. Newman**, an assistant vice-president. He moved to Paris in 1948, a couple years before the rush started. Newman carries two doctor's degrees in chemistry, one from the University of Pittsburgh, the other from MIT. He covers the European chemical industry like a city cop on a neighborhood beat. He visits regularly each of the important chemical companies, gets to know their top engineers and researchers on a personal basis. He knows U.S. designs and standards, and the economics of raw materials. And through briefings from the New York office, he's familiar with what U.S. producers want to make for the U.S. market. To back him up, the company brass visits Europe at least once each year.

• **Automation Added**—Most of the



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straight and bottled-in-bond quality whiskies. According to a recent market survey, last year he again bought more "straights" and "bonds" than during the previous year. Experts predict that over the next few years an even higher percentage of these fine whiskies will be sold.

National's great "bonds", Old Grand-Dad, Old Taylor, Old Crow and Old Overholt—each produced under its own formula, exclusively in its own distillery—are winning ever wider acceptance among discriminating drink-

ers. Smooth, mellow Old Crow and Old Taylor "straight" are becoming increasingly popular and continue to set new sales records. Years of consistent product integrity have solidly established the prestige of these famous brands wherever quality is a criterion.

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HILL and HILL • BELLOWS PARTNERS CHOICE • BOURBON DE LUXE • BOND & LILLARD • OLD HERMITAGE • DeKUYPER CORDIALS

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processes picked up in Europe get a once-over, and sometimes a shake-down in S-D's pilot plant. The plant is flexible enough to handle nearly any special organic process. And its capacity is rated so that S-D technicians can measure materials economics and standards used in U.S. plants. One of the most

frequent reasons for giving a process a thorough shake-down at the plant: Man-hours for European processing are often high. A process used by a U.S. producer must have low labor costs. So the man-hours of a process fresh off the boat are cut by applying automatic controls in the pilot plant.

New Furnace for Better Alloys

Carboloy's vacuum melting furnace is producing purer alloys with higher fatigue strength. This new process, geared for high-volume production, may open up new fields.

A new vacuum melting furnace put into operation this week by the Carboloy Dept. of General Electric Co., Detroit, may bring the industry one step further toward better and purer high-temperature alloys. According to Carboloy officials, it promises adequate supplies of whole new families of alloys for products such as auto gas turbines.

Carboloy engineers regard the new furnace—still only a pilot commercial facility with a capacity of 1,000 lb.—as the forerunner of furnaces capable of melting 10,000 lb. in one charge. Combine such capacity with a semi-continuous operation such as is used in the new furnace, they say, and you would have high-volume production.

• **Features**—Carboloy's furnace consists of interlocked modules so that while one charge is being melted, another can be prepared in the charging chamber. The result is two 1,000-lb. heats in one shift—eliminating the need to shut down the furnace between heats for charging.

The other major feature is what company engineers term the "most advanced pumping system available." By using three pumps—two roughing and an oil diffusion pump—the system takes the pressure down (or creates a vacuum) to less than one micron. It's this feature of the furnace that lets the Carboloy engineers dream of 10,000-lb. capacity furnaces.

• **Future**—Carboloy sees high-temperature alloys as the biggest field for vacuum melted products. According to sales specialist M. A. Burello, "for auto turbines, we have to find a high-temperature, nonstrategic alloy—that is, one not containing cobalt. It would take 7,500 tons of cobalt for 3-million cars, which is more than we are using now in all strategic applications. Aluminum irons could do the job, but they would have to be vacuum melted."

Carboloy's present monthly capacity of 120,000 lb. of vacuum melted alloys is a drop in the bucket, even combined with the output of the other three in the field—Crucible Steel Co. of America, Utica Drop Forge & Tool Corp.,

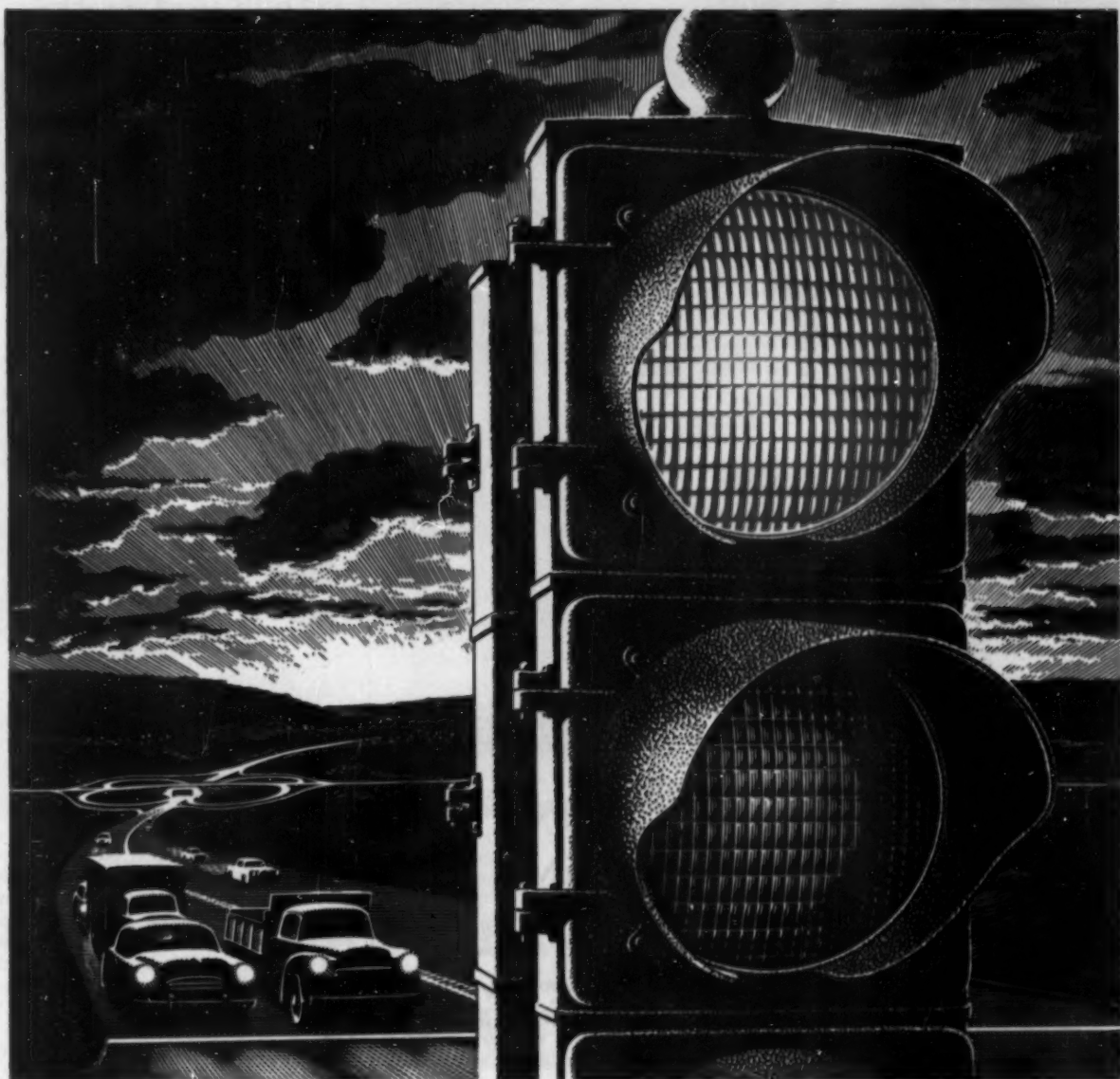
and Universal-Cyclops Steel Corp. The department's engineers say that vacuum melted alloys embrace the whole field of metalworking, resulting in alloys practically free of impurities and gas (because the melt is not exposed to oxygen or nitrogen), of more precise composition, of higher fatigue strength, and in some cases, better ductility.

One of the immediate products that Carboloy has to show from its vacuum melting is alloy 1570, which can be made only by this process and which appears to be a superior alloy for turbine blades. Carboloy will sell this alloy to other jet producers in addition to GE, or license the manufacture of it.



Spinning Out Pellets

This whirling disc turns iron ore powder into small pellets. A unit is being installed now at the Copper Cliff (Ont.) plant of International Nickel Co. It will be the first commercial disc in North America for pelletizing iron ore. Heretofore, the job has been done with large, spinning drums. Dravo Corp., Pittsburgh, which brought the disc idea from Germany and is manufacturing the units, says that pellets can be produced from powder without using binders or plasticizers. Ordinary water, plus the action of the disc, is enough to hold each pellet together.



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PRODUCTION BRIEFS

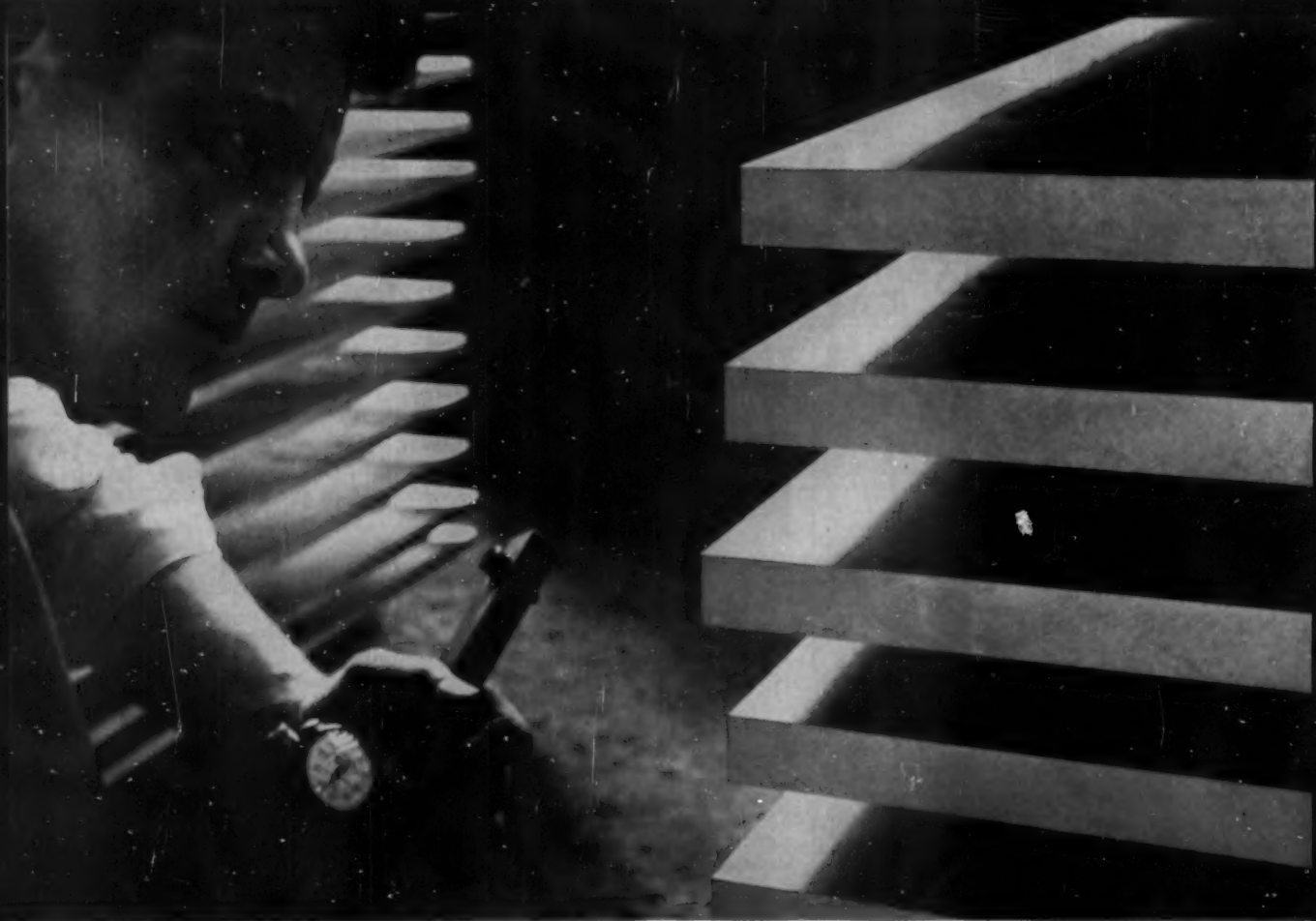
A steam generator for utility use, called the Sulzer Monotube boiler, will be built by Combustion Engineering Inc., New York, for Dayton Power & Light Co. Water fed into the boiler is converted completely to steam, leaving none to recirculate. The boiler is designed for a steam output of 1,800 psi., at 1,000F. It will power a 125,000-kw. turbine generator made by General Electric.

Industrial noise is the subject of a course scheduled in August at Colby College, Waterville, Me. Dr. F. T. Hix, president of the American Board of Otolaryngology, heads the seminar's seven-man faculty. . . . To give working scientists and engineers advanced schooling in their own backyard, United Aircraft Corp. and Rensselaer Polytechnic Institute will open a graduate center in September at East Hartford, Conn., located in a building of United's Pratt & Whitney Div. The school can handle 200 students specializing in aeronautical and mechanical engineering.

Automated Electronics Program sponsored by the Navy's Bureau of Aeronautics and the National Bureau of Standards (BW-Mar. 6'54,p55)—is changing hands. The Kaiser Electronics Div. of Willys Motors, Inc., which had been working on the system of automatic components assembly, is passing the project over to Aerovox Corp., New Bedford (Mass.) manufacturer of capacitors and resistors. This will broaden industrial experience in the use of the system in military electronics work.

The nozzles of rocket motors, where temperatures sometimes reach 4,000F, may soon be coated with heat-resistant ceramics. In a process developed by the Armour Research Foundation powdered aluminum oxide or zirconium oxide are fed directly into the oxygen supply of an oxyacetylene torch, sprayed onto metal surfaces through the flame which heats both them and the surface. Armour chemists say the coatings produced this way are superior to metallized coatings in both heat resistance and chemical stability.

Strobe lights chart an airplane's path in tests being run by United Air Lines. The lights, now being tested on a DC-6 air coach, flash in a series, from the tail to the nose. United officials say the aircraft can be seen for 100 miles or more, add that the line of flashing lights acts as an arrow to show the plane's heading.



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See Clues on page 154

NEW PRODUCTS



Floating Along

Rolling on its eight big tire bags, the vehicle above—a four-passenger cargo-personnel carrier, built for the Army—can float over rock-strewn or sandy country that would jolt to pieces or bog down a conventionally shod six-ton truck.

It's the large low-pressure (5 lb. per sq. in.) tires that do the trick. They simply flow over and around an obstacle in their path, swallow it up. They're called Rolligon tire bags by their maker, Goodyear Tire & Rubber Co.

The bags are made from four-ply nylon. They're 3½ ft. in diameter, 5 ft. long, and they're covered with chevron-shaped lugs that are about half an inch high. The lugs give the tires traction through sand, snow, or swamp-land; and because so much of the tire bags' surface is in contact with the ground vehicles to which they're fitted can crawl easily even over difficult terrain.

• **Commercial Market**—The Army vehicle—called a Teracruzer—is the first designed expressly to use the Rolligon tire bags. It was built by Four Wheel Drive Auto Co. But Goodyear says several other vehicle makers are interested in ways of putting the tire bags to work on commercial vehicles.

On the Teracruzer, the tire bags are set in groups of two, in four individual frames—two front, two rear. Each frame can be angled up and down by driver-operated controls, and so can compensate for sudden shifts in terrain. The two front frames steer as a single unit. Each tire bag is inflated individually from a centrally controlled compressor, and from dials in the cabin, the driver can read air pressure in each of the bags.

The tire bags are driven by rotating, rubber-covered, steel rollers—six rollers

to each bag. The roller faces are machined in patterns that mesh with the lugs on the tire bags, acting as rubber gear teeth.

• **Source:** Goodyear Tire & Rubber Co., 1144 East Market Street, Akron 16, Ohio.

Evaporator Cooler

A central air conditioner for homes that uses only 9 gal. of water a day and that sweats off heat in much the way the human body does may turn out to be a money saver for homeowners with a water problem.

The new unit of Harvey-Hill, Inc., St. Louis, is built around a "soaker coil"—an application of the heat exchange system by which the body rids itself of excess heat. The company claims that its unit is just as efficient as a water-cooled one, and requires no water tower nor other device by which water can be reused.

Air-conditioning units that use water alone to take heat from cooling coils use so much that it has become a problem to water-conservation-minded regions. In St. Louis, where coolers without water towers may use as much as 3,500 gal. a day, a surcharge of \$40 has been approved on air-conditioned homes that don't use water towers.

E. J. Hill, inventor of the "soaker coil," got the idea from studying the effects of cooling on the human body. In humans, muscular and frictional heat is transferred to a watery substance (flesh), then to a porous surface (skin), where the heat evaporates and cools the body.

The "soaker coil" does essentially the same thing for the air conditioner. Heat is picked up by circulating freon in the cooling coils, and carried outside. The job then is to remove the heat from the freon before the freon is used again.

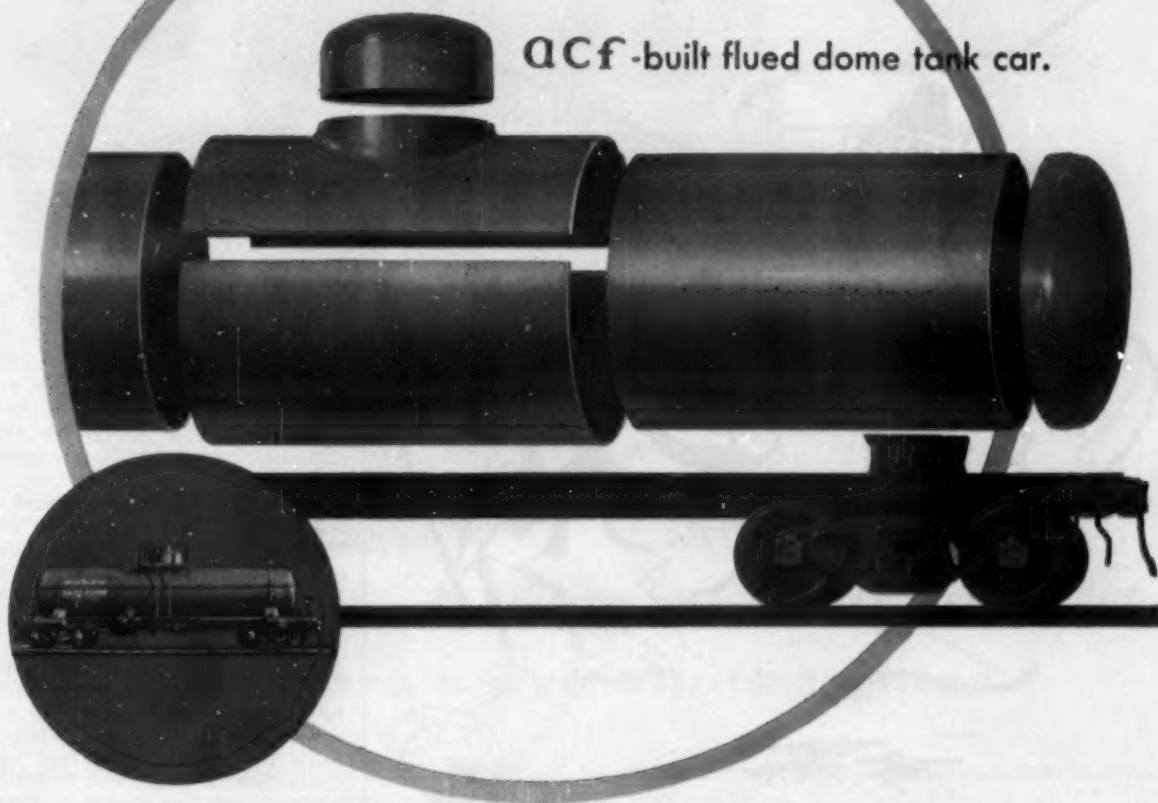
In the "soaker coil," this heated freon is passed through a coil surrounded by a porous nylon or plastic jacket. Water circulates in the space between the coil and the jacket, and some of the water is absorbed by the jacket, gets through to the outer lining, and evaporates. This cools both jacket and coil. To speed the process, the unit uses a supplementary air cooler that blows heat-removing air over the coils.

The Harvey-Hill comes in two models—one rated to give two tons of air conditioning, the other three. The maker says that the units are easy to install—an electric line plugs into a regular light socket, a simple water pipe feeds the cooler. The two-ton unit measures 42 in. by 44 in. by 22

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• Source: Harvey-Hill, Inc., 2209 Lynch St., St. Louis, Mo.



Screw Handler

The man above is using an automatic screwdriver with a new twist—an attachment that picks up each screw for him, positions it, and holds it in place while it's driven home.

Pneuma-Serve has been production-tested by Iron Fireman Mfg. Co., of Cleveland. The company says the device saves time and money, and makes it possible for one man to do a job that used to take two or three.

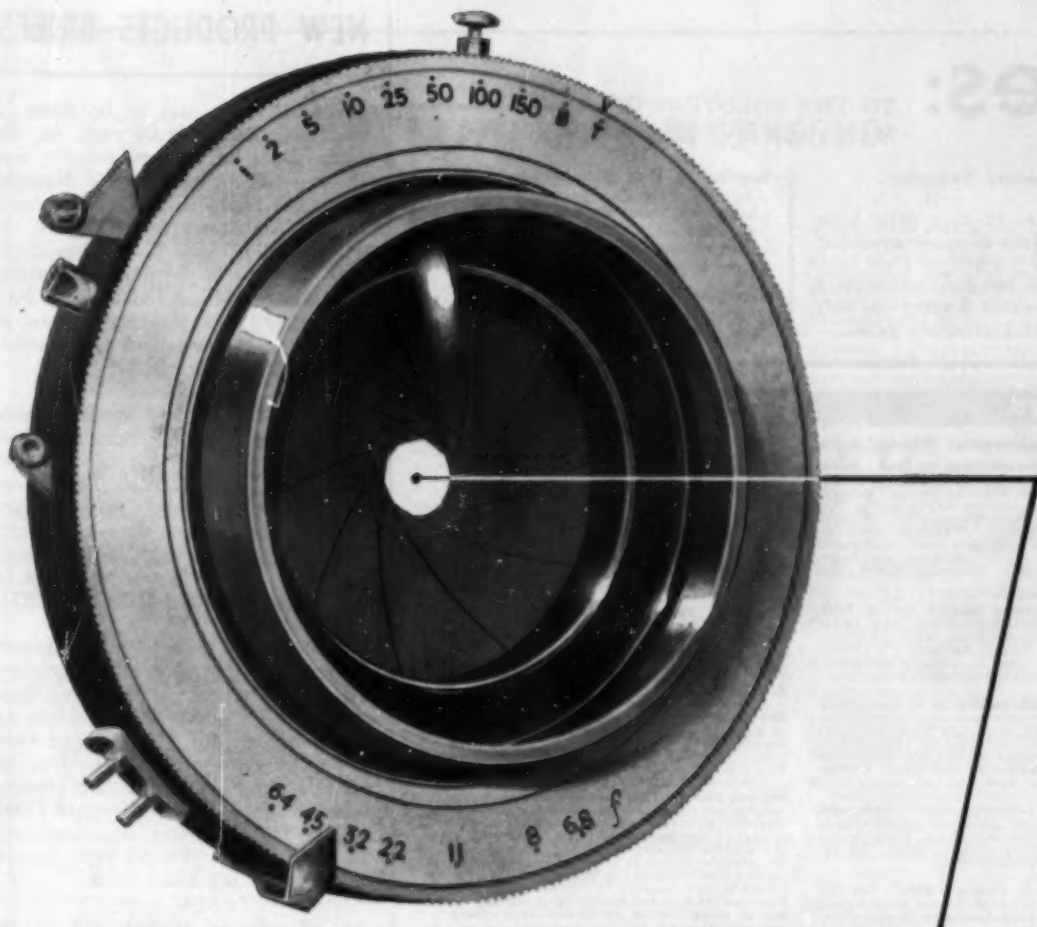
• **How It Works**—The attachment consists of a special head and bit, which the maker says will fit almost any standard automatic screwdriver, and a long plastic hose. The hose is attached to a storage hopper (shown at right in picture) where screws are kept, and carries the screws pneumatically as they're needed from hopper to screwdriver head. Once at the head, another pneumatic device clamps the screws in place, holds them steady while the screwdriver does its work.

The maker says that Pneuma-Serve can handle screws up to $\frac{1}{4}$ in. in diameter and $1\frac{1}{4}$ in. in length. In the production test, No. 6-20 self-tapping sheet metal screws $\frac{1}{4}$ in. long were used. Seventeen of them were driven in one fastening operation in about 30 seconds, with one man doing the job alone. Previously, one or two men were needed to position the screws, while another operated the power screwdriver.

Testers reported an additional saving: The attachment eliminated fumbling, cut the loss of dropped screws.

Pneuma-Serve has an operating range of about 20 ft., says the maker, so the operator can move freely from one job to another without carrying his supply of screws with him. Pneuma-Serve costs \$950.

• Source: Pneuma-Serve, Inc., 19930 Detroit Rd., Rocky River, Cleveland.



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NEW PRODUCTS BRIEFS

Pelletized rosin, said to be easier to ship and handle than rosin in the form of solid masses—as it's now shipped—will be marketed by National Rosin Oil Products, Inc., 1270 Avenue of the Americas, New York, N. Y. The product, called Galex, was developed at Battelle Memorial Institute, Columbus, for G&A Laboratories, Inc., Savannah. It was designed for use in making pressure-sensitive tape, rubber cements, and solder fluxes.

An electrically operated clutch for auto air-conditioning compressors has been designed by Warner Electric Brake & Clutch Co., Beloit, Wis. The manufacturer says the clutch makes it possible to disconnect the compressor, either manually or with a thermostat, while the engine is running. Cost of the clutch installed will be about \$75.

A new fertilizer, with 38% nitrogen content, is one of du Pont's latest products. Du Pont says its fertilizer, Uramite, releases nitrogen continuously at a uniform rate for a longer time than any other nitrogen fertilizer. For use on turf, du Pont advises one application of 10 lb. of Uramite for each 1,000 sq. ft. This will often be enough for an entire season. Flower beds require about 30 lb. per 1,000 sq. ft.

An oil refining catalyst said to be cheaper than synthetic catalysts, while still giving a high yield, is being made by Minerals & Chemicals Corp. of America, Metuchen, N. Y. The new catalyst, a pelletized form of kaolin, was designed for use in the Houdry process, and the makers say they expect it to sell for well under \$300 a ton.

Safe temperature control is offered in a laboratory water bath that uses an infra-red light source as a heater. The bath is made by Chicago Apparatus Co., 1735 N. Ashland Ave., Chicago, which says it's the first of its kind ever put on the market. Two sizes, 12-in. in diameter by 18 in. high, and 12 in. in diameter by 18 1/2 in. high, sell for \$334.50 and \$357.25.

Formable plastic sheeting is being mass produced by Minnesota Mining & Mfg. Co., 900 Fauquier St., St. Paul, Minn. The reinforced plastic is 60% glass fiber, 40% plastic resin, comes uncured, and can be used in drawing operations similar to sheet steel. Once it has been formed, the sheeting can be cured in a few minutes, using about 350F temperature and 25 psi. (about the pressure in an automobile tire). Costs run between \$2 and \$1.90 a lb.

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The British Election—and the U. S.

In theory it is none of our business how the British electorate votes. As a practical matter, the people of this country have a deep interest in political events in Britain—just as the British have a deep interest in political trends here.

From that practical standpoint, the results of the British election are highly satisfactory to American business. In the first place, a considerable section of the Labor Party, under the leadership of Aneurin Bevan, sought to make anti-Americanism an issue. It got nowhere.

In the second place, our own Administration and the Conservative Government of Great Britain have made a great deal of progress in the past year in working together for the all-essential purpose of establishing world peace.

Working Together

Although there have been some difficulties and misunderstandings, the leaders of the two governments have had the same appreciation of how power must be used in coming to terms with Communism. If it had been necessary for Secretary Dulles to begin all over again with the British in re-establishing the confidence and understanding that have been painstakingly built up, the result might not have been disastrous. But it would certainly have been a setback, particularly with the risky business of the Big Four conference at the summit coming up this summer.

Apart from the question of international relations, the British election has other points of interest for Americans. It illustrates again the familiar political truism that in prosperous times the electorate tends to support the party in office, especially if that party has a conservative tinge. The attractions of Socialism and of economic innovation diminish with good times and increase in periods of decline.

A corollary to this, also strikingly illustrated by the election, is that in good times a substantial part of the electorate seems to lose interest in politics. The Conservatives have been returned to office with a substantial gain in power, but the election involved a substantial decline in the total vote.

Lesson in Strategy

Our own political practitioners and soothsayers will not overlook the implications that the British elections hold for this country. Following Conservative tactics, supporters of the Eisenhower Administration may be expected to redouble their efforts to identify the Presi-

dent with the present state of prosperity. And, like Labor in Britain, the Democrats will hardly abandon their efforts to convince the American people that the current prosperity is in fact a mirage based upon speculation and favoritism to big business.

But the fact is that both the Republicans and Conservatives can point to a successful record of reducing government interference in business without giving up responsibility for maintaining social progress.

Base for Growth

If you've been wondering if a growing population really leads to economic expansion, consider a report made by the Departments of Commerce and Labor on public works. This report estimates that, over the next ten years, we must spend \$200-billion in new public works, exclusive of public housing, merely to keep pace with the needs of our growing population.

This would mean an expenditure of \$20-billion a year. This is more than twice as much as we will spend this year and almost two and a half times 1954's total outlay. Moreover, this is over and above what the federal government will spend and what is being spent by private enterprise. This study warns that if state and local communities do not make a concerted and sustained effort, they will face severe shortages in highways, schools, hospitals, and other facilities.

A large scale program, such as the report recommends, would do more than improve living standards. It would also serve as a powerful prop to the economy. If expenditures by the states were doubled, it would offset reductions in federal outlays, and should actually help cut federal expenditures.

The striking thing is the magnitude of our needs. For instance, we have been building highways, schools, hospitals, and water sewer facilities at an unprecedented rate since 1949, yet we will have to spend at twice the present rates just to keep from sliding back.

This should be a good omen for our future. As the Twentieth Century Fund's study, *America's Needs and Resources*, points out, we are still far from the point where minimum needs are satisfied (BW—Apr.30'55, p158). Fortunately, our needs are matched by our resources. We have the means to reach the goal of \$200-billion for public works by 1965 without straining the economy.

Public works is only one sector where there are gigantic needs. Even though we are the most prosperous nation on earth, our efforts to satisfy minimum needs can sustain prosperity over a long period.



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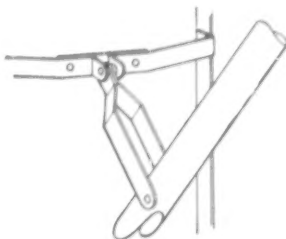
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